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PRINCIPLES OF PERSONAL SELLING

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CHICAGO & NEW YORK
A. W. SHAW COMPANY
LONDON, A. W. SHAW AND COMPANY, LIMITED

1926

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A. W. SHAW COMPANY

First Printing, October, 1925
Second Printing, April, 1926

PRINTED IN THE UNITED STATES OF AMERICA

PREFACE

IN submitting a new work dealing with personal selling, any writer is on the defensive. So much has been written, both in books and the periodical press, that it would seem that the field is already fully occupied. Unfortunately few works have been undertaken from the view-point of attempting to reconcile sound economics with practical business procedure.

Personal selling is essentially an economic activity, directed, therefore, toward the satisfaction of economic wants. The personal selling which effectively serves those wants is socially and economically desirable. In the approach to the subject, therefore, a study of wants and their nature has been taken up, followed by discussions of both buyers and sellers in their efforts to satisfy wants through personal selling effort. The general principles developed in such analyses apply to intangible products such as insurance or securities as well as to materials, equipment, and consumers' goods of tangible nature.

The first part of the book consists of a more detailed analysis of personal selling processes as applied to buyers in general, and is adapted to practically all classes of buyers. The second part of the book deals with the problems and relationships of the salesman and his employer in the direction of personal selling as a business activity.

No pet theories or fancies are advanced. No easy or royal road to successful selling is proposed, nor could one be devised. The effort is made to develop a somewhat broader background for an understanding of the problems of personal selling and their solution, and to present a conception of the subjects which must be considered in the study of personal selling. The purpose of any such study should be to develop this branch of distributive activity so as to consume a considerably smaller part of the consumer's

dollar than it does at present. The high costs of distribution are due in no small measure to the high costs of personal selling.

The writer is indebted to Professor Donald K. David, of the Graduate School of Business Administration of Harvard University, for assistance in preparing the chapter on selling to retailers, and to George Woodbridge for his helpful criticism. Special acknowledgment is due to Wilford L. White, instructor in sales management in the same institution, whose assistance in the preparation of the final draft of the manuscript, in the reading of the proof, and in the preparation of the index has been invaluable.

HARRY R. TOSDAL

Cambridge, Massachusetts, July 1, 1925

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PRINCIPLES OF PERSONAL SELLING

I

NATURE, SCOPE, AND DEVELOPMENT OF PERSONAL SELLING

Definition of salesmanship and personal selling. Forms of selling effort. Importance of personal selling. Early development of personal selling. The development of traveling salesmanship in Europe. The rise of traveling salesmanship in the United States. Economic basis for salesmanship. The social justification of salesmanship. The ethical basis of personal selling. The fundamentals of salesmanship identical for all types of salesmen. Types of personal selling. Personal selling as a vocation. Salesmanship and sales management. Conclusions.

THE ultimate consumer and his wants govern commerce and industry. To give the consumer the economic goods he wants, when and where he wants them, for the price he is willing to pay for them, modern society has developed an enormously large and complex industrial and commercial organization, including, among others, producers and middlemen, bankers and exchanges, insurance companies and warehouses, and many more. The wants of the consumer are numerous and varied. They may be clearly perceived or they may be latent. They may be effective or ineffective, because, for the greater part of society, wants develop in excess of the possibilities for their satisfaction. To satisfy those wants is the aim of buying and selling. The buyer wishes to satisfy his wants by purchase of goods or services; the seller wishes to satisfy the consumers' wants and his own wants by the sale of goods or services.

Salesmanship is necessary in modern economic life because selling is essential. It is necessary for the smooth working of the economic and industrial system and is itself a part of the functioning of that system. Without selling, mass production in advance of sale could not take place. Manufacturing would be severely limited in its development.

Factory production, except upon a local, and upon a very small, scale, could not exist. As a consequence, many of the wants of the modern family could not be satisfied, for the amount of energy which would be consumed in trying to satisfy them without large-scale production would be impossibly great. To Adam Smith's statement that "the division of labor is limited by the extent of the market," should be added the assertion that the extent of the market in recent times is dependent upon the activity and aggressiveness of sellers and buyers, as well as upon such factors as transportation, distance, and the portability of goods.

In modern industrial society, few persons are self-sufficient; few persons can satisfy all their own wants by their own unaided efforts. The consumer must enter the market to satisfy his needs. The manufacturer, on the other hand, must sell the products which are the result of his large-scale operations if he is to continue production. He cannot exist long without disposing of his output. But the personal contact of buyer and seller which was sufficient to equalize production and consumption in older years is now no longer possible. The manufacturer produces for consumers, no one of whom he may know personally or ever meet. The buyer purchases directly or indirectly from a producer with whom he may never become acquainted.

DEFINITION OF SALESMANSHIP AND PERSONAL SELLING

Salesmanship is the art exercised by the seller in bringing about, directly or indirectly, mutually beneficial transfers of goods or services; or more briefly, *salesmanship is the art exercised by the seller of effecting economic exchanges*. The several important elements in the definition will be more fully explained.

1. Salesmanship is an art, not a science. The salesman practices an art; he does not practice a science. The body of knowledge concerning salesmanship now possessed by man is so meager and so unclassified that one is not war-

ranted in terming salesmanship a science. No classified body of knowledge which can be specifically allocated to salesmanship has as yet been developed. But portions of scientific knowledge which belong properly to other sciences, such as psychology and economics, have been applied to salesmanship, and will be applied, at least in a general way, in increasing measure in the future. Such applications of scientific knowledge will ultimately yield a scientific salesmanship, but will not yield a science of salesmanship separate and distinct from the other sciences.

2. The transfers of goods, services, or claims which are to be brought about by the seller are economic exchanges whereby each party to the transaction expects to be benefited. Since each party is free to buy or sell as he pleases, a transaction should not, and would not, take place unless both buyer and seller felt they were benefiting more by what they received in the process of exchange than by refraining from entering into the transaction. Economic theory is based upon the assumption that an exchange will not take place unless both parties feel that they have secured an increase in satisfactions or utilities. The nature and amount of satisfactions secured from the economic exchange form the basis for the distinction between good and bad types of salesmanship. By goods, as the term is used in the definition, is meant economic goods, including both tangible commodities, such as food products, machinery, or land; and intangible commodities, such as services, claims, securities, and titles.

3. Salesmanship is exercised by the seller, because under present conditions of economic life it is ordinarily necessary for the seller to seek the buyer; in other words, the seller takes the initiative in the attempt to dispose of the goods or services now in his possession, or which are to come into his possession at some future time. Salesmanship is not exercised where the seller has made no effort whatsoever to carry out the selling process by any of the means at his dis-

posal. Economic exchanges may take place without the exercise of the art of salesmanship.

It is not conceivable that the necessity for salesmanship will disappear with the improvement in our economic organization. As will be pointed out later, salesmanship is economically justified from the view-point of society, primarily because it enables certain economic functions to be performed more economically and more efficiently than otherwise would be possible.

The restriction of the use of the term salesmanship to the sense implied by the definition given is contrary to many teachings which have been published, or have been advocated from the speaking platform.¹ Many declare that salesmanship is much broader, much more inclusive than this; that it deals not only with the economic activities involved in the buying and selling of goods and services, but that it pervades every activity and every field of human endeavor. It is claimed that the minister exercises salesmanship delivering a sermon; that the lover exercises salesmanship during the process of courtship; that the teacher "sells" his teachings to his class; that the lawyer sells his case to the jury in his pleadings. But this usage of the term salesmanship is unwarranted, and misleading; it indicates merely that there are elements of similarity in purpose and procedure wherever one man endeavors to influence another. It is undeniably a fact that in many activities of socially organized society, it is desirable and useful as well as necessary, for one person to exercise influence upon another. The need for leadership in all major human activities needs no more emphasis than the reference to the pages of history of the nations of the world. But the use of the term salesmanship as a substitute for leadership or persuasion is purely metaphorical, and tends to, detract attention from essential characteristics of the selling proc-

¹The *Boston Herald* (July 1, 1924) prints a quotation from the speech of a salesmanship "expert" which carries this tendency to absurdity. It is claimed that Shakespeare was a salesman, and that Brutus was a victim of a sales idea.

ess, and to emphasize only the characteristic process whereby one person attempts to influence another.

The definition of salesmanship used as a basis for discussion in this volume differs materially from the definitions given by other writers on the subject. For instance, salesmanship has been defined by E. St. Elmo Lewis¹ as the "ability to persuade people to want what they already need"; by Knox² as "the power and ability to influence people to buy at a mutual profit that which we have to sell, but which they may not have thought of buying until we called their attention to it." One reason for variation is clearly the effort to include in the definition, not merely salesmanship as such, but a conception of the desirable forms of salesmanship. A number of definitions are confusing because they assert that salesmanship is a power or ability, whereas it is an art.

Furthermore, few of the treatises give adequate weight to the fact that selling and sales relations are for the most part based upon seller-customer relationship, not alone on a buyer-seller basis. The bulk of goods is sold to purchasers who have purchased previously from the same seller and who have previously purchased the same or similar goods. This fact calls for the revision of many discussions of salesmanship which rest upon the assumption that specialty selling, and one-time sales, are the most important phase of personal selling. The repeat sale and the type of selling which must be carried on in order that the cost of distribution as a whole be kept within reasonable limits are much more important than one-time sales when the volume of total business transacted is considered. If one examines a list of the more important manufacturing industries in the United States, he finds that most all of them depend more upon customer relationships and sales to regular buyers who have had previous dealings with the manufacturer, than upon one-call,

¹Knox, J. S., *Salesmanship and Business Efficiency*, Revised Edition, 1923, p. 179.

²Quoted in Knox.

specialty selling.¹ The situation, moreover, seems to be much the same with the industries which show a smaller total output.

It is a surprising fact that even those lines which have long been classed as specialties, and which have required and obtained the most aggressive types of salesmen, are beginning to depend more and more upon repeat orders. One of the leading insurance companies has made the statement that 60% of its annual insurance business was written upon the lives of old policy-holders. A manufacturer of adding machines recently made the statement that 40% of his billing machine business was made up of sales to former buyers. Even a manufacturer of heavy machinery, such as gas and electric cranes and shovels, advertises that every third order is a repeat order.

FORMS OF SELLING EFFORT

The selling effort required in the marketing process assumes two major forms; namely, personal salesmanship and advertising. Other forms of selling effort, such as correspondence, distribution of samples, exhibitions, and the like, may be employed, but the personal and printed salesmanship are by far the most important in practice.

Personal salesmanship, which constitutes the subject of this volume, is that form of the art of salesmanship which depends upon personal contact of individuals to accomplish its purposes—primarily the personal contacts of the seller with the buyer. Advertising, on the other hand, has been defined as “selling in print” or “putting it more completely, commercial advertising consists in presenting a commodity

¹The *Census of Manufactures of 1920* lists 15 industries with a product of \$1,000,000,000 a year or over, 20 industries with a product of \$500,000,000 to \$1,000,000,000 a year, and 64 with an annual product of \$100,000,000 to \$500,000,000. In the last census these industries produced 88% of the total of all industries. It is significant that in every industry it is necessary to develop customers, and in the great proportion of all of the established leading industries the so-called “specialty” salesmanship is relatively unimportant.

in print to the people in such a way that they may be induced to buy it."¹ It differs from personal salesmanship in that it aims to reach many people at one time. The forms which advertising assumes are numerous and will be taken up for more detailed discussion in another section. Personal selling, on the other hand, is that form of salesmanship which is carried on by means of personal contact, sometimes called oral salesmanship, although the latter term does not fully define its scope. Effective personal selling depends upon much more than the spoken word.

The differences between the two methods of selling lie, therefore, chiefly in the method of contact with the buyer and in the portion of the selling process which is ordinarily performed by each. Each type of selling effort possesses advantages. Each also has its disadvantages. The efficient performance of the selling function calls for an effective combination of these two chief means of selling with minor methods. Personal salesmanship aims at the individual buyer and endeavors to convince him of the advisability of purchase, and, in fact, to complete the economic exchange. Advertising is frequently intended merely to create a favorable background for personal salesmanship rather than to consummate the sale without the aid of the salesman. As a general rule, personal salesmanship frequently accomplishes its purpose without the help of other selling methods; advertising, on the other hand, does not ordinarily do so.

Personal selling can be concentrated upon a narrow market or an individual buyer and is, of course, much more effective in such a case than is advertising. Advertising, on the other hand, may reach millions, but not induce a single individual to go so far as to make a purchase. Good advertising helps the salesman, but it is just as true that much advertising fails in its result because it has not been accompanied by good personal salesmanship.

¹Starch, Daniel, *Principles of Advertising*, A. W. Shaw Company, Chicago, 1923 p. 5.

IMPORTANCE OF PERSONAL SELLING

The practice of salesmanship is an economic necessity. It is essential for the accomplishment of the selling function which is at once the most difficult and the most important of the marketing functions. The smooth working of the economic order depends upon a continuous flow of commodities from producer to consumer, a flow which could not and would not be maintained under modern industrial conditions, without the exercise of selling effort. It is true that some industrial enterprises, particularly those possessing certain types of monopoly control, might continue to operate entirely independent of selling effort; but the typical manufacturing enterprise would be compelled to close down immediately. Selling has created and maintained national and international markets as they exist today. Selling efforts have made possible increased production of commodities, and the increased material comforts of our civilization.

It is futile to argue that selling is more important or less important than production, as the latter term is used in industry. From the view-point of the economist, both selling and production are productive forms of labor. From the view-point of the business man, both sales and production are necessary for the successful enterprise. There can be no continued production under the factory system at the scale which prevails even in the lowest of our periods of depression, if there is no means of disposing of the product. Judging by the difficulty experienced in selling even in most favorable times, the ability of the average manufacturer to dispose of his product without any selling effort whatsoever is seriously to be questioned.

If one were to judge the relative importance of selling and manufacturing by the amount of scientific attention accorded to each, one would quickly conclude that "form" production was the most important. The emphasis in industry in the past has been placed upon production. The

Industrial Revolution was a revolution in production methods which brought with it difficult marketing and selling problems. The scarcity of goods, the development of new products, the development of new natural resources in new countries during the past two centuries, the development of new machinery, new motive powers—all combined to lend to production a degree of emphasis which is reflected in the comparative neglect of all the various phases of marketing, including selling.

The frequent protests of the public at high price levels and the realization that only by scientific study of marketing could a sound basis for improvement be developed, have stimulated various agencies to undertake studies of marketing costs, as well as the other phases of this problem. Those cost studies which have been most carefully made show not only that the total cost of marketing is surprisingly large, but that the portion of marketing costs which can be allocated to personal selling is often the largest single item of marketing expenses. In the several investigations made by universities, by congressional committees, and individual scientists, there is agreement that sales-force expense accounts for a considerable proportion of the cost of doing the business of retailers, wholesalers, and manufacturers. In the studies made by the Bureau of Business Research of Harvard University, sales-force expense, that is, the cost of personal selling, is the largest single item of expense in the wholesale grocery, wholesale automotive equipment, wholesale dry-goods, and wholesale drug trades. The same statement applies to the retail jewelry, hardware, shoe, and grocery trades, as well as to department stores. Table 1, on the following page, compiled from the bulletins of the Bureau of Business Research of Harvard University, shows clearly the importance of personal selling to the public as measured by its cost. Other studies support these conclusions.

The investigation of department-store costs involving over six hundred stores with sales of over a billion dollars

TABLE I
RELATION OF SALES-FORCE TO OTHER EXPENSES IN TYPICAL TRADES*
(*Net sales = 100%*)

Line of Trade	Year	Number of Firms Reporting	Total Operating Expense	Total Wages and Salaries	Total Selling Expense	Wages of Sales Force	Advertising	Other Selling Expense	Volume of Sales Reported
WHOLESALE									
Dry-goods	1923	71	16.6%	2.8*%	5.98%	5.7%	0.13%	0.15%	\$ 93,105,000
Grocery	1923	360	10.6	2.0*	2.75	2.6	0.06	0.09	504,414,000
Drug	1923	119	15.5	3.4*	3.76	3.5	0.18	0.08	195,950,000
Automotive Equipment	1923	128	23.4	4.8*	8.9	7.8	0.8†	0.25	76,447,000
RETAIL									
Grocery	1923	471	17.3	10.6	.....	.....	0.3	.....	63,799,000
Shoe	1923	499	27.4	14.7	.....	8.8†	2.2	.....	68,364,000
Jewelry	1923	371	36.4	17.1	.....	.....	2.8	.....	32,263,000
Hardware	1919	155	.....	4.0*	7.0	6.2	0.7	.....	.....
Drug	1919	187	.....	3.6	13.3	12.0	0.7	0.6	.....

*Total executive and office salaries, wages and bonuses.

†Includes catalog 0.5

‡The figure of Sales-Force Expense was compiled only for 81 shoe stores having annual sales of \$100,000 or over.

in 1923, showed clearly that the costs of personal selling constituted the largest single item.¹

It is much more difficult to secure a true and exact picture of the selling costs of manufacturers. Selling costs vary, in their relationship with total costs or net sales, not only within an industry itself, but even within one industrial organization, selling a variety of products. Differences in the types of product sold, differences in the distribution policy of firms, and many other factors vitiate comparisons. But some idea may be obtained from the rate of commission paid in typical industries to salesmen. In the shoe trade, a common rate of commission to salesmen selling to retailers is 6%, and in the garment trade 7%; the commission rate is much smaller in selling to jobbers. The commission rates for salesmen do not include traveling expenses in a few cases, and never include other necessary costs, such as those of supervision, and control. For specialties, such as adding machines and typewriters, the rate of commission for personal selling may rise as high as 40% or more of the selling price.²

It is impossible to make an accurate estimate of the proportion of national income which is represented by costs of personal selling. Data upon the total cost of selling, not including other marketing costs, is not available. The national total income has been estimated by the National Bureau of Economic Research at 66 billions³ for 1919 and at 70 billions in 1923.⁴ A crude estimate of personal selling cost⁵ may be derived in part by applying a conservative

¹*Bulletin Number 44*, Bureau of Business Research, Harvard University.

²The investigation of the Joint Commission for Agricultural Inquiry developed a certain information as to selling costs, but there is no separation of personal selling costs. However, Table 2, on the following page, is suggestive of the relationship of manufacturer's selling price to his costs in selling to the wholesaler.

³*Income in the United States*, Vol. I, National Bureau of Economic Research.

⁴*Harvard Business Review*, Vol. III, p. 155.

⁵See Lawrence B. Mann, "The Importance of Retail Trade in the United States," *American Economic Review*, December, 1923, p. 608; and Paul H. Nystrom, *Harvard Business Review*, January, 1925, p. 150.

TABLE 2
 PORTION OF DOLLAR RECEIVED BY MANUFACTURER FROM
 WHOLESALER DEVOTED TO SELLING COST*

Commodity	1913	1916	1917	1918	1919	1920	1921
Commodities— eight groups of trade-marked	10.39	12.25	8.28	7.05	7.70	8.46	10.21
Canned milk	2.27	1.9	1.17	1.11	1.25	1.77	2.68
Cereals	11.97 †	13.83	10.43	7.29	10.04	10.36	11.50
Macaroni	13.25	11.73	8.83	8.83	8.06	8.35	7.68
Salt	.....	30.00	14.00	9.00	11.00	13.00	17.50
Laundry soap	5.32	4.81	5.05	3.91	5.56	6.97	6.86
Peanut butter	8.90	8.00	7.30	8.00	7.90	7.40	9.70
Dressed beef	3.36	.....	.....	.....	2.43	4.73	.....

*Data in table compiled from "Marketing and Distribution," *Report of the Joint Commission of Agricultural Inquiry*, Vol. IV, Washington, 1922.

†No figure for wheat cereal in 1913.

percentage of cost of sales force to the estimated volume of retail sales of 35 billions, which, combined with a similar estimate for wholesale trades, yields a most conservative total of over 3 billions for personal selling in wholesale and retail trade.

Personal selling costs may be estimated in another way, by taking figures of the number of employees. The number of those engaged in retail trade as given by the Census is 3,350,000. It is estimated that at least 1,350,000 of these are engaged in non-selling activities, leaving 2,000,000. Each person engaged represents conservatively an expenditure for personal selling of \$1,000 a year, making a total of 2 billions for retail selling each year. Add to this, the estimated cost of maintaining 600,000 salesmen of jobbers and manufacturers, at an average low figure, including expenses, of \$2,500 a year, a total of 1½ billions. The total represents a minimum expenditure of 3½ billions for personal salesmanship alone, and does not even include the sales expense of manufacturers. The estimates are not intended to furnish more than the basis for an impression of the great economic importance of selling and salesmanship, and to explain and justify the direction of scientific effort toward the study of problems in personal selling.

EARLY DEVELOPMENT OF PERSONAL SELLING

It has been necessary for men to practice the art of selling for many centuries. Whenever there have been surpluses of goods, where the knowledge and demand for the surplus goods was not wide spread so that buyers took the initiative, the possessors of goods have found it necessary to exert themselves to find purchasers and to practice salesmanship. However, it is only in modern times that the great bulk of goods produced and consumed by mankind has entered into commerce. The household system, which characterized production during the greater part of the historic era, yielded in its earliest stage only occasional surpluses for exchange. The household consumed what it produced, and produced what it consumed. The result was, of course, that there were few actual exchanges, and salesmanship was unnecessary.

Ancient commerce was one of luxuries, primarily the products of the East, which were expensive and bought by few. The character of later ancient and early mediaeval commerce was much the same in so far as the former was not the result of payment of tribute in kind by provinces under Roman control. Something analogous to salesmanship in mediaeval days was practiced by traveling servants and independent merchants. The latter filled their ships with goods that they thought might be in demand in the West.

Not infrequently they took some of these goods in overland trips, stopping at the periodic fairs and conducting a business which was much like the business of the itinerant merchants of Colonial days in the United States. These itinerant merchants played a very large part in the commerce of the world during the Middle Ages.¹

¹Upon commerce in ancient and mediaeval periods, consult the various histories of commerce, including:

CLIVE, DAY, *A History of Commerce*.

BEER, *Geschichte des Welthandels*, 1860, Vols. I and II.

MAYER, R., *Abrisz der Handelsgeschichte*.

SPECK, E., *Handelsgeschichte des Altertums*.

NOEL, OCTAVE, *Histoire du Commerce du Monde*, 1891, Vol. I.

In the latter half of the Middle Ages there developed the handicraft stage of the household system of production, whereby many skilled workers at various occupations set themselves up in their homes as craftsmen and produced goods to order. Obviously, so long as a craftsman merely waited for some one to order a pair of shoes, a saddle, or whatever might be his specialty, little salesmanship was necessary. The handicraftsman frequently combined farming, gardening, or other occupations with work at his trade. Various influences combined to maintain this condition for a surprisingly long period. As might be expected, certain of these craftsmen were somewhat more enterprising than their fellows; they proceeded to use helpers or apprentices. They were able therefore to fill more orders, and in the course of time, it occasionally happened that when more goods could be produced than were needed for orders on hand, the master went out to sell the surplus goods, first at the local market or fair, and then elsewhere.

It was not long before the development of the associations of craftsmen, called guilds, began to frown upon the selling effort as contrary to their desire to maintain an equality of status by the different members of a craft. The guilds sometimes secured great power, not infrequently control of city governments; and many rules and regulations were established in their endeavor to accomplish the general purpose mentioned. It was against the rules of some craft guilds for a member even to rise when a prospective customer entered his shop, because it was felt that even such effort would decrease the equality of opportunity to be enjoyed by the members of the guild. It is not to be wondered that comparatively little progress in production or distribution methods took place during the Middle Ages. It was only when the rules and restrictions affecting selling began to be disregarded that advances could be made. While these were breaking down, rapid developments were taking place; the "putting out" or domestic system, whereby the work of the craftsman was taken and sold by business

men, began to supersede the method of having the craftsman wait for the specific order before he began manufacture. Merchants began for the first time to place orders for goods in advance of their sale. When the guild restrictions became too burdensome, certain masters and merchants began to contract for products with other masters or journeymen. The contracting master then did not himself produce shoes or clothing, but undertook to market the goods for which he had contracted. For the first time, it was necessary, on any considerable scale, to perform the selling function and exercise the art of salesmanship in disposing of manufactured products of the Occident.

The domestic system or "putting out" system which was the last phase of the household system was followed by the factory system of production, ushered in by the Industrial Revolution. The Industrial Revolution was primarily a revolution in production methods, whereby workers began to carry on production in factories under new conditions of direct supervision and control, instead of in their homes. The division of labor, according to process, the use of new and effective machinery, and the use of special motive powers combined to bring about an enormous increase in productiveness of labor and capital. The volume of production which resulted from the adoption and extension of the factory system brought with it very difficult selling problems. To many of the industrial leaders of the time, the problems of marketing seemed insuperable. Some of them struggled to solve them; but the majority of the manufacturers, in the cotton trade, for instance, in which the great increase in production first appeared, adopted the expedient of shifting the performance of the selling function to special agencies. At that time the system of selling cotton goods through factors or commission houses grew up and it has persisted to the present day. But the shifting of the selling function by manufacturers was not an elimination of the function; it had to be performed by the new merchants.

The pressure of production resulted in increasing the attention given to selling, though efforts were directed toward large volume of sales, and not particularly toward the goal of economy or efficiency in performing the selling process. Competition in all too many cases has taken the form of competition in the amount of selling effort expended, not the form of endeavoring to perform the selling function at the lowest possible continued cost. The increase in the importance of marketing brought with it an increased significance to personal selling. The extension of personal selling, particularly traveling salesmanship, like advertising, depends upon an industry which can produce standardized articles in large numbers, articles which will be true to sample; therefore, a factory or machine industry. The handicraft system did not produce the volume required. The "putting out" system produced volume, but the goods were not standardized; consequently, bulk sales rather than sales by sample or description had to be employed.

While personal salesmanship and advertising require such a stage of industry, it may be said with equal truth that the development of the machine industry with its increase in the volume of fixed capital, highly specialized in the production of one or more individual products, increased the pressure upon the owners to produce and to get goods sold. Whether in good or bad times, the owner of such apparatus is compelled to produce because closing down involves the loss of interest and of capital. Under such conditions, the old organization of markets and fairs proved to be entirely insufficient. The manufacturer was compelled to exert selling effort continually instead of only at fixed times in a locality just as he was compelled to widen the market both by reaching new strata of the population and by reaching new areas. At the outset, he had to awaken latent demand, to increase the desire to purchase. To reach the new market he often found it necessary to cheapen his product. For this he needed new capital to produce on a

larger scale, a circumstance which in turn made more sales necessary. The manufacturer, therefore, came more and more to depend upon personal selling, particularly by traveling salesmen, to furnish this outlet.

THE DEVELOPMENT OF TRAVELING SALESMANSHIP IN EUROPE

The traveling salesman is distinctly a modern institution,¹ although traveling merchants and traveling business servants are found in ancient as well as in mediaeval times.² None of these were traveling salesmen in the modern sense of the term. They made sales, but they also made deliveries. They carried stocks with them. They traveled from country to country, from fair to fair, and from yearly market to yearly market. The modern traveling salesman, carrying with him samples, models, catalogs and equipment for

¹Franz Gustav Wölfel, in *Der Handlungsreisende*, (Leipzig, 1913) quotes from Balzac's novel, *L'illustre Gaudissart*, "Le commis voyageur, personnage inconnu dans l'antiquité."

²Two German doctoral dissertations, one by Franz Gustav Wölfel, quoted above, and another by Fritz Froneberg, *Der Handlungsreisende*, Meissen, 1911, have been freely used in this historical sketch, in addition to the general sources on history of commerce.

In the Roman Empire, there were business enterprises that had representatives outside of their places of business. They were in the direct service of masters, since the conception of agencies was unknown in the civil law of ancient times. As a legal device, there was complete identity of the slave with the master for such purposes. Such business servants were not rewarded for their services; neither did they ordinarily secure a portion of the profits, except occasionally when intrusted with a vessel. The steward was discharged from the obligation which he had incurred by a signature or what passed for a signature. Free slaves began to increase in numbers in the latter part of the Roman Era and business therefore increased accordingly. With the downfall of the Roman Empire trade received a set-back. The dark ages represented a period of very low activity in which much of the commercial development which had been accomplished at the end of the Roman Empire seemed to have been lost.

In the second half of the mediaeval period a number of the Italian cities, particularly ports, emerged as important commercial centers, and in the course of the thirteenth and fourteenth centuries traveling merchants, usually Italians, covered the European continent selling wares of Italian manufacture, and the products which they had gotten from the Near and Far East. In Italy there developed a traveling representative as a partner in a joint venture called the "commenda." Because many of these joint ventures were profitable and the traveling representatives secured a share in

the purpose of getting orders, does not emerge in Europe until the middle of the eighteenth century.¹

The chief factor which favored the rise of European traveling salesmanship in the latter half of the eighteenth century and early part of the nineteenth was the development of transportation. Prior to that time the roads were for much of the year practically impassable. Travelers had to proceed by stage, or by horse or mule back. Roads were dangerous and progress slow. The facilities for transportation were such as to make it impossible to transport any large volume of goods. Consequently, the need of salesmen was considerably less. With the development of the steam railroad, with the increase in good roads and, to some extent, the improvement of waterways, larger and wider markets could be opened up. The increased use of salesmen followed.

A second favoring factor was the development of greater political freedom and safety. Taxes upon merchants who attempted to sell outside of their own area were reduced or abolished, simplification of tariffs was effected, the difficulties and dangers of traveling between cities were reduced. The freeing of large areas from such restrictions was of the highest importance in the development of opportunity for salesmen, because the work designed for salesmen of that period was to open up new markets.

the profits, many of these forerunners of the modern salesman, became prosperous and independent merchants.

Other countries followed with the development of traveling merchants and traveling representatives. There are records of traveling representatives in Germany in the fifteenth century. A few of the histories of these early travelers have come down to us, among them one of Lucas Rem who writes in 1,500 about traveling repeatedly on selling trips through France, Switzerland, Italy, Spain, Netherlands, and other countries. In England the Merchants' Adventurers Company and the Staple Merchants sent travelers to the Continent. Hamburg seemed to be a sort of center for travelers. Few firms of importance were to be found in Germany after the fall of the Hanseatic League, so that travelers from England and other countries were much more important than domestic traveling representatives.

¹Although some of this type appear before this date, the development is not important. There is some mention in Savary's great work, *The Perfect Merchant*, Edition of 1676, Vol. I, p. 219; Vol. II, pp. 83-85.

A third factor was the development of a new attitude which made it possible for one merchant or one manufacturer to compete with another without being accused of immoral practice. The restrictions of the guilds and the general attitude toward merchants had compelled them to restrict any selling effort even as late as 1739.¹ The hampering restrictions of the guilds broke down first in England, and considerably later on the Continent.

England sent out more travelers in the second half of the eighteenth century than did any other nation. It was at this time that she began to take her place as the leading commercial nation of the world. France, because she developed industrially soon after England, likewise began to send her travelers over Europe to create a market for her new industries. The commerce in luxuries produced in France began to take its place early in the eighteenth century. Her commercial travelers made much progress in extending markets for the wines for which France was noted.

The development of traveling salesmanship through the first half of the nineteenth century is somewhat difficult to trace, although it is known that the rise of traveling salesmanship proceeded apace with the development of factory production. In the sixties of the nineteenth century it was stated that there were 20,000 travelers in England and about the same number in Germany. That the occupation was well known and highly developed is shown by the establishment of the first magazine for commercial travelers in England in 1856. The first association of commercial travelers was formed in France in 1858—"Association des Voyageurs du Commerce et de l'Industrie." Other associations followed in European countries—Holland, 1874; Switzerland, 1878; Belgium, 1879; England, 1883, and so forth. Apparently few commercial travelers came to America from Europe.

¹At that time a traveler from the Continent remarked upon the novel methods of merchants who displayed their wares in small glass boxes outside the shops, so that all passersby might see them.

THE RISE OF TRAVELING SALESMANSHIP IN THE
UNITED STATES

While salesmen or "clerks" have practiced the art of selling in retail and later in wholesale establishments from a very early date,¹ the development of traveling salesmanship in the United States is comparatively recent, having its beginnings in the second quarter of the nineteenth century and its important development in the last quarter. The salesman, specialized or otherwise, is not mentioned in early accounts of commerce, while a historical sketch of industry states that in 1822 "traveling salesmen had not been invented."²

Prior to the Civil War and even for some time afterwards, the almost universal custom was for retailers and wholesalers to make annual or semiannual trips to buying centers. On these trips they made the purchases for the ensuing six months or year, and paid for the purchases which they had made on a previous trip. For the most part, manufacturers sold their entire output to one wholesaler who still continued to job and, less frequently, to retail. While in the larger cities, retailers specialized, usually a retailer carried a great variety of lines, which he bought twice a year, by going to market. Six, eight, and ten months'

¹The American importer was the first merchant. The first record of such a business man is one concerning Isaac Ellerton, of Plymouth Plantation, who was commissioned to go to England in 1628 to buy \$250 worth of shoes, hosiery, and linen cloth. According to Professor A. P. Usher, most of the trading of early colonial days was carried on by correspondence. While most of the importers bought outright, some acted as agents. These merchants were not only importers, for the most part, but also wholesalers, jobbers, and even retailers. They wholesaled their imported wares to adjacent retailers who came to market about twice a year. They jobbed to distant concentration points. Finally, they almost invariably retailed to the ultimate consumers in their own city or town. The personal salesmanship employed was confined to personal contact of the owner and his clerks with visiting buyers, who came to the store. Immediately after the War of 1812, they began handling domestic manufactures. During the next few years, the broker and commission man came into being. Importing became relatively less important.

²Depew, Chauncey M., Editor, *One Hundred Years of American Commerce*, New York, 1895, p. 565.

credit was given these men and losses from bad debts were numerous and large.

Following the panic in 1837, those wholesale firms which survived turned more attention to credits, with the result that several mercantile agencies were formed, sending men around the country, securing data about local merchants. The large wholesalers had large salesrooms where they displayed their wares to visiting merchants. During the buying seasons, these were attended by clerks, who worked in the office but who were best fitted to serve the patrons of that establishment. These clerks came to be called salesmen.

There are apparently three types of precursors of the modern traveling salesman in the United States. The first was the representative of the large jobbing houses sent out in the period after 1837 to collect information upon credit conditions, to establish relationships with customers, and to collect delinquent accounts. Some of the more influential wholesalers, not entirely satisfied with the service given them by the mercantile agencies, sent out their own men, who at the same time made collections. Gradually, these men began to take orders for merchandise, to be shipped out of season. The process was at first, however, very expensive and could be used only by the most important houses.

A second type of forerunner is to be found in the so-called drummers, who were stationed at hotels, particularly in New York City and other wholesale buying centers, to induce retailers and jobbers, who came on their annual or semiannual trips, to visit the drummer's employer. An account published in 1856 states that, "the habit of *drumming* for customers is now almost universal, and yet it is often disagreeable, sometimes disgusting, and always to be deprecated. Many jobbers keep one or more young men as drummers at each of the principal hotels, while most of the employees of their establishment do more or less service of this sort. They watch for customers as a cunning animal does for his prey; and if anything could reconcile us to the

practice, it would be the adroitness with which they accomplish their object. The country merchant is booked on his arrival, is captivated by courtesy, is attracted by appeals to each of his appetites and passions, is coaxed, decoyed, and finally ensnared or captured. If there were but one such decoy for each victim, the system would be less objectionable; but where each drummer is at work upon every newcomer, the situation of the latter often becomes intolerable."¹ Merchants were induced to make their purchases not on the basis of attempting to satisfy customers' wants most effectively but on the basis of personal favor. Between the years 1850 and 1860, commercial travelers or drummers "took the road." By the later year, such men, representing the wholesalers, visited the merchants, getting their promises to visit their respective firms when buying time arrived. Later, they also took orders. It would seem that this method became well established immediately after the Civil War. Prior to the Civil War the attitude of many business concerns was that represented by the statement in 1856 of a prominent wholesale drug firm, still in business, and an important factor in the trade, to the effect that "We have never expended \$100 in advertising, have never employed any travelers, or resorted to outside means to advance our business, relying solely upon superior management at home."²

Lastly the peddler, particularly prominent in the early distribution of tinware and some types of hardware in the New England states,³ is sometimes regarded as a forerunner of the modern traveling salesman. The other types seem, however, to be the more logical forerunners of present-day traveling salesmen.

The increasing competition which began to be character-

¹ Freedley, Edwin T., *Leading Pursuits and Leading Men. A Treatise on the Principal Trades and Manufactures of the United States*, 1856, p. 156.

² *Ibid.*, p. 121.

³ See the chapter on "The Tin Peddler" in Malcolm Keir's *Manufacturing Industries in America*, The Ronald Press, 1920.

istic of commerce and manufactures after the Civil War, brought on partly by the development of more productive manufacturing methods, falling prices, improvements and economies in transportation, led to increased effort to obtain sales volume. Houses could no longer rely completely upon the semiannual visits of the buyers to dispose of their goods. It was necessary to send salesmen out to prospective customers and to take orders at more frequent intervals than had been customary.

After the Civil War, wholesale houses, particularly those located in Chicago, sent their representatives even beyond the terminals of railroad and steamship transportation. Traveling salesmen with their trunks loaded on wagons followed pioneer trails to mining camps, lumber camps, trading posts, and everywhere that a store existed.¹ With the development of reliable transportation methods and the reduction of transportation costs, it was no longer necessary for a merchant to purchase his goods and take them with him on his return home. In the 80's and 90's and in the early part of the twentieth century the personal contact was relied upon almost exclusively by wholesalers and manufacturers for the disposition of their goods, except such as were sold on the basis of competitive bids or by auction. Traveling salesmanship assumed an importance which is today reflected in the traditional reliance of many business companies upon this means, and the failure of large numbers of concerns to use adequately other means of selling, such as advertising.²

There is no accurate estimate of the number of commercial travelers and traveling salesmen at the present time.

¹ Nystrom, P. H., *Economics of Retailing*, Ronald Press, New York City, 1919, p. 22.

² This book considers particularly the development of wholesale selling; particularly traveling salesmanship, but it is true that a complete history of salesmanship would include retail salesmanship. Retail salesmanship of one sort or another is much older than traveling salesmanship, but the division of labor between selling and non-selling employees in a business enterprise is of comparatively recent date. The clerks in retail and wholesale houses acted as salesmen during the active buying seasons when buyers came to market. They performed other duties at other times of the year.

The figure of 600,000 frequently used is merely an estimate, because Census data make no provision for this occupation. However, if one glances at the associations of commercial travelers, one can easily get the idea that the estimate is not unduly large. A single association, The United Commercial Travelers of America, according to government report, has over 100,000 members. In addition, there are a score or more of other important associations with memberships ranging from less than 100 to several thousand, most of them including only salesmen in a particular industry or group of industries.

ECONOMIC BASIS FOR SALESMANSHIP

The fact that commerce and industry are based upon the desire to satisfy the economic wants of man is the starting point for any consideration of the economic object of selling and salesmanship. Economically, the purpose of salesmanship is to satisfy human wants of the type which can be satisfied by economic goods or services. From the point of view of public welfare, good salesmanship is that which really and effectively helps to satisfy wants and yields the largest surplus of satisfactions from exchange transactions. The business man who takes a long-run point of view finds that his own best interests run parallel to those of the buying public, though again there is apparent conflict of interests if one regards only the short period.

From the economic point of view, salesmanship should be and is a productive activity. Those engaged in effecting sales are bringing about economic changes. Selling as a part of the marketing process has for its purpose the increase of economic utilities, particularly those which may be classified as time and place utilities in contrast to those produced in the manufacturing process, usually called form utilities. Salesmanship, therefore, is productive labor because it facilitates or results in the production of these utilities. The exchange of goods is ordinarily a productive

activity, and therefore bringing about such exchanges must be productive and economically sound.¹

Salesmanship creates both subjective and objective value. A salesman creates subjective values by increasing the degree of appreciation shown for an article by the purchaser or consumer. The consumer secures a greater feeling of well-being and a greater feeling of satisfaction as a result of the work of the salesman. Objectively, the salesman creates economic value which is represented in price, first, by maintaining or increasing subjective valuation against competition. The salesman convinces the buyer that the goods he sells are worth at least as much as he is asked to pay for them. Second, the effort of the salesman facilitates the development and stabilization of economical production, resulting, in many cases, in furnishing commodities to the consumer at much less than would have to be paid for similar goods produced under other conditions. Furthermore, salesmanship is instrumental in extending the external economies of industry which, according to Marshall, yield the greatest ends and most permanent results.²

As a whole, therefore, the exercise of salesmanship results in lower price and greater production. But at a particular time, it may be urged that because salesmanship increases appreciation it increases price,³ although the extent of such increase is dependent, of course, upon the leveling influence of competition among sellers and buyers.

¹ However, in not a few cases so-called salesmanship has been utilized to induce persons to make purchases which do not increase the sum total of utilities, such as fleecing of innocent investors by unscrupulous salesmen. The line is difficult to draw between salesmen handling products in which the element of risk is great and those who are on the line between predatory and productive salesmanship. Predatory salesmanship is not considered here except occasionally to notice the methods by which some of them seem to have more than customary success in effecting sales. It is true that in order to accomplish their anti-social objects they sometimes study and plan more carefully than many salesmen who have legitimate propositions to sell and whose work, well done, would add to the lasting satisfaction of the purchaser.

² See Marshall, *Principles of Economics*, Eighth Edition, pp. 260 ff.

³ Professor Moriarty, in his excellent work *Economics of Marketing and Advertising*, points out that personal salesmanship as a creator of subjective

It is not without significance that the economic basis for salesmanship and the economic justification for the work of the salesman are supported by the statement of the most successful salesmen of today—"that only by considering the buyer and trying to satisfy him with that which is best for him as determined by study and careful adaptation of the products to the buyer's real needs can the greatest success be attained." The salesman should be just as willing to refuse to sell to a prospective buyer who will not benefit by the goods as to try to sell when he knows that what he sells will be of benefit to the purchaser. The modern seller realizes that he is selling satisfaction and that his lasting success is dependent upon a surplus of satisfaction received by the buyer, furnishing the basis for securing additional business more easily and making further sales to a satisfied customer and to those whom he recommends. For some types of production it is obvious that this consumer's surplus¹ is very great, but the degree of satisfaction resulting

values fulfils three economic functions, which are somewhat intangible and not generally recognized: (1) function of enthusiasm as an economic force which creates value, because it is an essential to high efficiency in so many processes; (2) influence on civilization in creating new standards of value and inducing people to revise their old standards; (3) function of salesmanship where no transfer of ownership is involved (sometimes an outside process, but most important where an idea is sold to those in the same organization). As a creator of objective values, salesmanship performs three functions through (1) its relation to consumer's surplus; (2) its relation to producer's surplus; and (3) its function in creation and maintenance of right price. It fulfils these functions through its influence on subjective value to the individual of the thing sold, its direct influence on objective value being through its influence on individual demand schedules. Salesmanship and advertising have *indirect* economic influences—economic motivation, including both the stimulation of the consumer to more efficient production in order to secure more demand on the market, and the stimulation of the producer to more intelligent use of his resources. In either case, the test of value creation is whether more value resulted from the total process, including the factors whose economic value is questioned, than would have resulted without them.

¹ The term "consumer's surplus" is used to indicate the surplus of satisfaction which the customer secures as measured by the difference between the price a man would have paid for a given article rather than go without, and the price actually paid. See Marshall, *Principles of Economics*, Eighth Edition, Vol. I, p. 124; also F. W. Taussig, *Principles of Economics*, Third Edition, Vol. I, p. 124.

from the purchase depends both upon consumer's surplus and upon the amount of new satisfaction received from the use of the article. While it is obvious that consumer's surplus will be greatest in the case of necessary foodstuffs, shelter, and clothing, the greatest noticeable satisfactions from purchase under ordinary conditions frequently come from those articles which yield new satisfactions or satisfactions not anticipated or realized when the purchase was made.

Inefficient salesmanship is responsible for an enormous amount of economic waste. The wastes may be grouped from the view-point of the employer: that is, losses to employers, losses to the salesman himself, and losses to the public. Employers estimate that it costs anywhere from a few hundred to several thousand dollars to "break in" a new salesman. Careful observers have found that salesmen in general utilize in actual selling only a relatively small portion of their time. Even where traveling salesmen are paid salary or commission and expenses, it is evident that the inefficient utilization of the salesman's time causes a greater burden of overhead which may be borne in part by the employer, but which, of course, in the long run must be shifted to the public. There is a much greater loss to the salesman himself. If the man who aspires to be a salesman is not fitted for the work, if he does not, through self-training or otherwise, make himself as efficient as possible for his particular position, he is not doing his duty to himself, his customer, nor his employer. The public loses through inefficient salesmanship by having to pay more for goods than should be necessary; consumers' incomes will purchase fewer necessities, comforts, and luxuries.

The great spread between producer's cost and consumer's buying price is due in no small measure to the high cost of selling which is not infrequently largely the high cost of personal salesmanship. As has been mentioned, the largest single expense in retail stores is the cost of personal salesmanship; the same is true in the case of wholesale grocery

concerns, and for many manufacturing concerns the salesmen's commissions are the largest single cost of distribution. While it is extremely difficult to estimate accurately the cost of personal salesmanship in the course of a year, it would be still more unwise to hazard a guess as to the amount of waste. Yet there can be no serious doubt that it is so large as to warrant serious attention.

The wastes of salesmanship are due to the following factors, among others—first, the improper selection of salesmen by the employer and improper connection with employer by the salesman; that is, salesmen who are not suited for selling particular types of products or not suited for selling at all, are frequently hired and later fired. Second, inadequate and ineffective training; salesmen who may have the fundamental characteristics for success with a particular concern are improperly or inadequately trained either before or after being hired. Third, the unsatisfactory execution of selling work by salesmen, due in part to the salesman's inability and to his inadequate training, and due in part to unwise supervision and planning by his superiors. Lastly, the inefficient choice, combination, and correlation of personal selling with other methods of selling, so that maximum effectiveness in performance of the selling process is not attained; for this fault executives are responsible.

THE SOCIAL JUSTIFICATION OF SALESMANSHIP

In view of the frequent general criticism on the part of economists of advertising and selling methods and in view of the implied criticisms of personal selling involved in the criticism of cost of distribution, the question may be asked directly whether personal salesmanship is economically and socially desirable. The answer has already been given, but it may be well to emphasize several points. First, salesmanship is desirable because it creates greater comfort and well-being for the public. The maintenance of profitable, large-scale production in most industries is dependent upon per-

sonal selling. Without mass production, costs would be increased, and the material welfare of the country would be decreased. Both subjective and objective values are created by personal selling.

Furthermore, personal salesmanship is to be considered desirable because it brings about a greater effectiveness of labor through making factory production and the division of labor possible. Socially, one may argue as to the benefit of factory production with the monotony of work which its machine processes involve, but every evidence we have indicates that the worker as a class today is in much better position materially than he was before the advent of the factory system. In the second place, salesmanship tends to knit society more closely together. The traveling salesman furnishes the point of contact between manufacturer and middleman, and between middleman and consumer. The result is mutual knowledge and good-will, and mutual understanding. For example, the traveling salesman has played no small part in the development of new countries.

On the other hand, salesmanship may be made socially undesirable if it is directed to ends which are not for the best interests of society. The sort of salesmanship which is directed toward the sale of bogus securities cannot but produce some results which are undoubtedly socially undesirable. Again, salesmanship may be used in such a way as to be ineffective and out of proportion to the results produced. There may be social and economic wastes involved which will be reduced by more careful application of the fundamental principles which should dominate the sales manager's work. Personal salesmanship may be made socially undesirable by abuse, because the selling of legitimate products may be conducted in an unethical and improper manner in such a way that the best interests of society are not conserved. Even though the practices may be confined to transactions between manufacturers and middlemen, the public ultimately pays for improper practices and unfair competition. Unfair competition tends to destroy

the advantage of ability and skill and good organization, and to maintain the unskilled, the inefficient, and unscrupulous seller.

The salesman accomplishes several worth-while objects if he discharges his responsibilities properly. He performs a necessary economic function. He may perform it in such a way as to bring about the coordination of production and consumption as well as the coordination of production and selling within the individual enterprise. In so far as he is able to bring about such coordination, he may be performing a social service by adding to the stability of employment, and thereby reducing unemployment. Serious changes in volume of orders, involving peaks of production with overtime, and depressions with unemployment, are due in part to the reluctance of buyers. The reluctance of buyers to purchase may be overcome and steadiness of production secured in greater measure if salesmen as a group carry on their work in the most effective way. Finally, a salesman who does his work well will assist in reducing the cost of distribution.

Salesmanship and selling generally will be needed permanently in any highly developed and developing society. The need for it will not disappear with the increase in the learning or education of the people generally or with the increase in the level of intelligence and education of buyers. Because, buyers will never be completely educated so that they will know all about the things they need and want to buy. Furthermore, it would be socially and economically wasteful for buyers to acquire all the knowledge necessary for purchasing complex products. The more economical method, where such technical knowledge is needed on occasion, is for the buyer to secure it from some one—perhaps the seller—who can utilize that knowledge with other buyers and can, therefore, spread the cost of acquiring it over a large number of customers. For instance, a textile manufacturer who wishes to manufacture a finer grade of fabrics may find it unprofitable to acquire all the knowledge

needed to determine the exact layout of a humidifying system for his plant. The company manufacturing such apparatus will find it profitable to employ, as salesmen, men who know the principles and practice of humidification so that they may help prospective customers to buy intelligently. Again, the average business man cannot become an expert in insurance in order to determine the types and amounts of insurance he should carry for protection. It is more economical for the insurance salesman to acquire this knowledge and to place it at the disposal of the buyer in helping him to make his purchases of insurance intelligently. Not every factory manager can become an expert in the construction and qualifications of belting and packing which are used in his plant, but a manufacturer such as Goodyear or United States Rubber finds it profitable to employ experts whose knowledge of such products and their uses can be placed at the disposal of the prospective buyer at much less cost than he could acquire it himself or could hire an outside engineer to advise him.

The second reason for believing that personal selling and salesmanship generally will be used permanently rests upon the acceptance of competition among sellers and among buyers as necessary to the welfare of modern society. There is competition among buyers just as there is competition among sellers, although the competition of sellers is an incentive to greater production. Cessation of competition among competing firms in the same line does not usually mean that there is no further need for salesmanship, because competition exists not only among the sellers of the same product, but among the sellers of different products. This competition amounts to rivalry for a share in the expenditures of the consumer.

THE ETHICAL BASIS OF PERSONAL SELLING

It must be admitted that salesmanship in the past has frequently not been conducted upon as high an ethical plane

as is desirable. The art has often not been practiced in such a way as to yield the greatest welfare for the salesman, employer, and the public. Theory and practice have on occasion been widely divergent, but this divergence has been apparent rather than real. Among the reasons advanced for departure from ethical standards are:

1. *The force of competition.* It has been asserted that competitors indulged in shady or unfair practices and that it was necessary to follow their lead.

2. *Ignorance.* Ignorance of what constitutes ethical selling is responsible in many cases for what seems to be shady, if not unfair, practice.

3. *Attitude of employers.* A third and by no means unimportant factor or influence toward low ethical standards of salesmanship has been the attitude of some employers of requiring results, of urging high-pressure selling, and of feeling no responsibility with regard to the method by which results were obtained.

4. *Practice of salesmen.* Lastly, individual salesmen without ethical principles have on their own initiative used illegitimate methods in order to get volume of business—methods which may or may not have been implicitly authorized by the employer.

The existence of unethical practices is undoubted, but the extent of such practices is frequently exaggerated. We have no means of measuring the relative morality of selling practices today as compared with that of a generation ago. But there is a general opinion among business men—and that opinion seems to be well founded—that there has been on the whole a very distinct advance in the ethical standards of personal selling during the past half-century. This advance is partly due to the discovery that unethical sales practices were harmful not only to the buyer, but ultimately also to the seller; and partly due to the increasing diversion of a higher type of man into business and the desire to make

business a profession worthy of the best efforts of able men. Associations of manufacturers and of salesmen have made attempts, from time to time, to reduce the amount of unethical practice by the establishment of codes and by more radical measures designed to raise the standards. Individually these attempts have not usually been important; they are significant mainly because they indicate a growing consciousness of the need and of the possibilities of high ethical standards.

The ethical basis and economic basis of personal selling are identical. If the utilitarian standards are adopted, then those sales practices are unethical which directly or indirectly tend to bring about exchanges of goods, money, and services in which one party to the exchange receives decreased utility instead of added utility; in other words, those exchanges in which both parties have not mutually benefited. Furthermore, exchanges which may be satisfactory in a measure, may definitely be unethical because the result is to reduce the amount of utilities received by the public below what they may reasonably expect.

As it is economically to the interest of the salesman to sell in such a way as to leave a satisfied customer, it is just as important to do so from an ethical point of view. No man relishes the idea of being engaged in a business which is not of service to mankind. For many generations the rule of *caveat emptor* has prevailed in selling—that is, in the absence of fraud the buyer must beware. Today more and more business concerns are coming to the conclusion that *caveat emptor* is a poor rule for laying the foundation of a successful and permanent business. They find that if the buyer has constantly to “beware” it is very likely that he will transfer his business elsewhere. This feeling on the part of the buyer is actually increasing the difficulty and costs of doing business. Modern salesmanship does not permit transactions in which the buyer must “beware,” because the seller knows he will eventually suffer if the buyer is not treated properly.

THE FUNDAMENTALS OF SALESMANSHIP IDENTICAL FOR ALL
TYPES OF SALESMEN

The fundamentals of salesmanship are identical for all trades and for all levels of personal selling work. The general principles which underlie salesmanship are comparatively few. They are the principles involved in the influencing of men by men, but the application of these principles is extremely difficult. One may say that a fundamental principle of salesmanship is to make it easy to buy. To make it easy to buy, however, involves a knowledge of the buyers of the goods, of human nature, a knowledge of the goods and the conditions under which they can be delivered, all of which can be acquired by the salesman only at the price of hard work and intelligent understanding. The purpose of good salesmanship is to sell goods at a profit to the seller in such a way that the buyer will be benefited and will feel himself benefited by their purchase and will look upon the seller as a desirable source of future supplies. In other words, the purpose of good salesmanship is not only to make sales, but to make sales with such satisfaction that the buyers become customers.

Science can give some help to the individual who wishes to practice the art of salesmanship. Much scientific progress is being made along the lines of psychology, which will ultimately be of value to any one who wishes to know the laws of mental operation. The knowledge of goods which must be used in selling to the prospective purchaser may require a complete professional training. Many technical goods, in order to be sold properly, require engineers as salesmen; there are some types of goods which require men with the training of physicians. In short, the requirements for some sales positions include all the requirements for any profession plus the ability to present the necessary knowledge in such manner that the purposes of salesmanship will be achieved. The fundamentals are the same for all types of goods, but the

application to particular goods and to particular classes of customers may require differences between salesman training amounting to differences between a common school education and the highest technical or professional training.

TYPES OF PERSONAL SELLING

The vast bulk of personal salesmanship is carried on by men in the position of salesmen, but not all salesmen perform the same work, nor do all salesmen attempt to accomplish the same portions of the selling process. The type of work to be done by the salesman varies with the size of the company and with the product to be sold. On the basis of the type of employer and his place in the distributive organization, one may classify salesmen as (1) manufacturers' salesmen, including all salesmen who are employed by manufacturers who may be selling to middlemen or to consumers; (2) wholesale salesmen—practically every wholesaler in the United States using personal salesmanship as his chief selling method, the number of wholesale salesmen amounting to hundreds of thousands; and (3) retail salespersons, much more numerous than either of the other groups.

Salesmen are also sometimes grouped according to the product which they are selling, for instance, silk salesmen, automobile salesmen, wool salesmen, insurance salesmen, and so forth. There are salesmen to the trade, meaning, ordinarily, salesmen to retailers; canvassers who sell in house-to-house calls upon customers. A popular classification today is that of specialty salesmen, referring to those salesmen employed ordinarily by manufacturers to sell a small, highly advertised line in which intensive selling work is necessary.¹

¹Some of the larger wholesalers in dry-goods and other trades use specialty salesmen to sell any particular line which they are attempting to push; for instance, one dry-goods wholesaler has (1) specialty salesmen selling hosiery, and (2) a group selling underwear in addition to salesmen who sell the whole line. A hardware wholesaler has specialty men who sell building hardware in addition to salesmen who sell the general line.

The same enterprise may employ salesmen with several different types of sales duties. There may be general salesmen handling all lines produced or sold by the house; missionary salesmen, whose chief purpose is to develop goodwill but who may or may not sell goods to those upon whom they call; demonstrators, who may be confined to the work of demonstrating the product which is to be sold; service salesmen for technical products, who have a technical knowledge such that they can perform necessary repair and adjustment service; sales engineers—a term used frequently to indicate salesmen with engineering training, particularly needed in connection with the selling and installation of complex technical products; senior salesmen assisted by junior salesmen in the selling work in a territory, and others which will be noted in later discussions.

Nevertheless, it must be understood that personal selling is not necessarily confined to those who occupy the position of salesmen in any organization. A sales organization may contain no person called a salesman. Personal selling may be performed by officials, by executives, and by those who are not commonly considered salesmen. In a company which sells to a few buyers in large amounts, the salesmanship practiced by a prominent official may be of the highest quality.¹ The principles of personal salesmanship must be observed also by other members of an organization, not simply by salesmen, because not infrequently customers come into contact with them. Prospective buyers or customers come into contact with the credit manager and the employees of the credit office. Unless such contacts are properly handled from the view-point of building a background for future sales, the full benefit of other selling effort will not be realized. One might make similar statements regarding the shipping, traffic, and other departments.

¹It is obvious that companies may use selling methods other than personal salesmanship with the result that there are no salesmen in the organization, and personal salesmanship may not be carried on by executives. Mail order, advertising, correspondence, and other methods may be employed as the sole means of affecting sales.

In short, not only the selling organization but the business organization as a whole must be guided by the same general principles in its direct or indirect contacts with buyers as the sales department, if economic transfers of its goods are to be made continuously, economically, and profitably.

PERSONAL SELLING AS A VOCATION

The great importance of personal selling as a vocation follows as a matter of course from the economic necessity and importance of selling. Further proof is to be found in the fact that very conservatively over two million persons are directly engaged in selling work and that a very large portion of our industrial and commercial population is dependent upon personal selling activities. The man who enters selling work, therefore, has the satisfaction of knowing that he is performing an economic service, that his work is necessary for the welfare of the public, that it can and should be performed in an ethical manner, and, lastly, that the value of his work is recognized in the financial rewards which are given to salesmen.

The necessity for selling effort and the scarcity of good salesmen have created a value for personal salesmanship which is reflected in the higher earnings which many of them secure. Personal selling has attracted men of all classes and of all grades of ability. There are some salesmen whose commissions are reckoned in six figures, but they are much less numerous than those whose incomes fail to reach even four figures. There are wide differences in the earnings of salesmen even in the same trade, depending in part upon ability, in part upon the policies of individual employers. The average earnings of a wholesale salesman in one enterprise may be \$4,000 a year or over. Instances are by no means unknown in which another company in the same trade has paid \$1,500 less per salesman, and yet the cost of selling for the one may have been no greater than for the second. One must always look behind

the actual figures, because the earning power of the salesman depends upon a number of factors besides his own skill. It depends in part upon the plan of compensation. It depends in no small measure upon business conditions, for favorable business conditions increase earnings, while unfavorable business conditions may cause the salesman to lose his capital and to live from hand to mouth.

The reward of the salesman depends also in part upon the type of product which he sells and the type of customer to whom the product is sold. It takes no more effort in many cases to sell large orders to intelligent buyers than to sell a small specialty or novelty to the consumer, but the character of ability required for the first may be far different, and the reward considerably higher than in the second case. It is obvious that the salesman can, to a greater or smaller extent, offset the influence of adverse conditions upon his earnings by increasing his sales efforts. But it should be the object of every salesman who is endeavoring to do the best he can to determine whether the sort of selling work which he is doing is that which causes him to use all of his ability. In other words, the man who can sell steel bridges should not be content to be a retail grocery clerk.

The way of advancement from the lower to the higher grades of selling work is open to any one who possesses ability and who is willing to work intelligently. There are no class distinctions. The retail salesman, if he possesses ability, can become a wholesale salesman. A wholesale salesman for one company may procure a more remunerative and more desirable position in this one company or with another company, provided he possesses the necessary ability and other qualifications. In general, therefore, there are two common lines for the advancement of a salesman; the first, toward executive positions in the sales organization or in other departments of the same business; the second, toward more difficult, more responsible, and more remunerative sales work. Selling ability and execu-

tive ability are not identical. Experience has shown that many very successful salesmen, when promoted, have made poor sales executives. A sales manager, on the other hand, is primarily an executive and leader if he is successful, and only secondarily a salesman. A salesman, therefore, faces a responsibility in choosing the line along which he wishes to procure advancement, for, if he does not possess the ability to lead men, he should not attempt to secure advancement to positions in which his success will depend upon the possession of qualities of leadership. He may find that he will get greater satisfaction from his work and secure greater remuneration if he directs his attention toward improving his salesmanship and working toward larger paying positions which demand the higher types of personal selling.

There is not an uncommon misconception that a salesman is a good salesman because he is born with certain qualities and abilities which make him effective as a salesman and that other persons cannot make good salesmen because they do not happen to have these qualities in the same degree. Ability to sell has been looked upon by some sales managers as the ability of a virtuoso or an artist. This idea has been combated vigorously by some authorities on salesmanship, who claim that the salesman can be developed, that any one who learns certain things and applies certain rules which are set down may become an effective salesman. The truth lies undoubtedly between the two extreme views. The salesman's work, to be economically justifiable, always requires exercise of persuasion and development of influence of man over man. In any walk of life some men are more successful than others; in every walk of life there are some qualities which render successful work easier than other qualities and these qualities are strangely alike for all professions and occupations. It is true in law, the ministry, teaching, and in business in general that the man with good personality, with likable traits, and with good judgment will be more

successful than his fellows who have not these qualities, other things being equal, for he will not be compelled to acquire them through a laborious process of self-training, which, while effective, will not always give fullest results. The phrase "born salesman" may therefore be narrowed to indicate the salesman who possesses certain qualities which enable him to influence those with whom he comes in contact. That influence rests upon his personality and to a greater or less extent upon his ability to present his proposition effectively, which in turn depends upon other factors. The history of salesmanship is so full of instances in which men have, through self-training and hard work, overcome obstacles to success in salesmanship, is so replete with instances of men who have few of the apparent requisites of salesmen and yet are successful in their work, that one can simply say about the salesman, as he might about any other professional man: he is fortunate but not necessarily successful who has many desirable traits of character and personality and none or few of the important undesirable ones.

SALESMANSHIP AND SALES MANAGEMENT

Modern business organization usually assigns the direction of personal selling in a manufacturing enterprise to the sales department. The various forms of salesmanship must be correlated with one another in such a way as to bring about the desired results of profitable operation of the individual enterprise and efficient service for the public. The task to be accomplished is a difficult one under modern conditions. It is a task which is much larger than that of making individual sales to prospects or directing the operation of sales. It includes responsibility for the performance of the marketing functions as related to the products sold. In the planning of the sales work, in the determination of sales policies, and in the operation of the sales organization, the chief sales executive finds his work.

Briefly, the functions of the sales department include organization and operations necessary to effect sales, make deliveries, and secure payment. The exact duties of a particular sales department may include only a small part or the entire range of marketing functions. There is no general agreement of the proper functions of a sales department; no two sales departments are exactly the same. Sales managers are not at all in accord as to the proper scope of their work. There are many instances in which advertising is subject to the sales department; a few in which credits are handled by a subordinate of the sales executive. In some business organizations packing and shipping are within the province of the sales department. Likewise, some sales departments, like that of the National Cash Register Company, are sales departments "for the world." Others confine their operations to domestic territory only. In some enterprises the chief sales executive is no more than a supervisor of a few salesmen; in others he is a major executive entrusted with the direction of marketing of the products of the firm.

The study of sales organizations of all types from the largest, with sales running into hundreds of millions, to a small organization with a volume of only a few thousand dollars a year leads to the conclusion that the supervision of salesmen, and, therefore, of personal salesmanship, is a function which is almost universally assigned to the sales department. The salesman, therefore, has a real and vital interest in the operations of the sales department and in the work of the sales manager, first, because he is performing part of the work for which the sales department is responsible, and second, because the salesman may regard the executive positions in the sales department as furnishing the line of promotion for him, though it must be remembered that sales ability and executive ability are only seldom combined. Successful salesmen may not have qualities of an executive and may, therefore, make poor sales managers.

The work of the sales manager in the control of the sales organization includes fundamentally the organization and utilization of various selling methods in order to effectively dispose of the goods purchased or produced. The sales manager must build his organization to fit the work which is to be done. He must procure the facts which are necessary in order to determine policies and choose selling methods. He must determine policies in regard to the type of product, changes in the production which are to be made, policies regarding channels for distribution, and policies regarding prices at which the products are to be sold. He must choose the means of selling, advertising, and personal salesmanship and other methods, direct operations so that he disposes of his goods, and build up good-will which will constantly increase the efficiency and constantly decrease the unit of cost of distributing commodities.

Sales management, therefore, includes both planning the work and executing it. It is foresight and wisdom in planning that the modern sales manager urges, in place of haphazard choice of selling methods, or of unwisely following some competitor's lead. The modern sales executive is beginning more and more to study the fundamentals of selling and to acquire knowledge of conditions which will affect the making and execution of sales plans.

In the execution of selling plans the modern sales manager is finding more and more that proper execution depends upon careful supervision and cooperation with salesmen in the field as well as with other members of the sales department and other divisions of the business enterprise. Therefore, a characteristic of the well-managed large concern is careful control, not necessarily detailed control, over all phases of its operations. Only on the basis of knowledge can plans be made. Only on knowledge of what is being done can it be determined whether plans are being carried out or whether conditions have arisen which make carrying out such plans inadvisable.

The incomplete development of business science is clearly demonstrated by a study of sales management. The absence of general principles and the lack of collected data upon which to develop principles are shown by the number and variety of problems which present themselves to sales executives and the utter lack of anything approaching a scientific standard or practice. There is no single correct solution for many of the problems in sales management; the successful solution in one enterprise may be unsuccessful in another. That the problems of the sales manager are not limited to those involved in direct contact with salesmen becomes clear if one considers the types of problems which he has to solve. These problems may be logically grouped as follows:

1. Building or reshaping of the sales organization and its relation to the other departments;
2. Sales research and sales planning as a basis both for sales policy and for sales operation;
3. Sales policies relating to product, such as guaranties, quality, simplification, unit of sale, brands, and trade-marks;
4. Distribution policies, relating to the channels of distribution utilized by the manufacturer or wholesaler;
5. Price policies, including, among others, the policies relating to price level, discounts, price maintenance;
6. Sales methods—methods of combining forms of personal salesmanship and advertising;
7. Management of sales force—selection, training, compensation, supervision, and control;
8. Financing as related to sales, including terms of sale, credits and collections, financial requirements for selling;
9. Execution and delivery of orders, including also cancellations, claims and adjustments, order-filling systems, warehousing, stock control;
10. Sales control—accounts, statistical records, and reports.

The sales manager must, therefore, plan his work so that he may be able to devote attention to all the things that need be done, if the work of the salesmen is to be as effective as possible. On the other hand the salesman should remember

that unless his work is to be related to the other work of a sales department, the results cannot be satisfactory either to the man or to the house.

CONCLUSION

The discussion of personal selling in this volume relates primarily to wholesale selling; particularly selling by manufacturers or wholesale middlemen. The general principles are, of course, the same for wholesale as for retail selling, but the applications vary markedly because of one fundamental fact, that in the bulk of retail business the buyer voluntarily seeks the seller or exposes himself to the sale, while in traveling salesmanship, the seller goes to the buyer. Fundamentally in both cases, the seller takes the initiative, but the individual salesman in the retail trade begins his operations ordinarily when the prospective buyer comes into the establishment and exposes himself to selling influences. The problems of salesmen who sell intangibles, such as securities or insurance, are in essentials similar to those of wholesale salesmen.

In the treatment of wholesale selling an attempt has been made to analyze personal selling from business, economic, and psychological points of view. Execution of the selling process by salesmen involves preparation of the salesman for his task, particularly through the development of knowledge of what he has to sell and knowledge of buyers.¹ With this knowledge and with the necessity of getting to the buyer and of doing his work efficiently, the salesman's work must be planned both in relation to his work generally and in relation to his prospective sale to an individual. Contrary to usual custom, only one chapter is devoted to the interview, because it does not seem necessary to direct a disproportionate amount of attention to the details of this subject. Proper preparation for the interview through acquiring the knowledge of the product and of the buyers, and proper

¹ See Chapters V and VI.

planning on the basis of that knowledge, will furnish the solution to most of the detailed problems of the interview. Good-will and the necessity for building up customer relationships is emphasized in a separate chapter, following which is a series of chapters pointing out certain characteristics of the application of general principles of selling to particular classes of buyers.

The second group of chapters deals with sales department organization and operations as they are related to personal selling and the individual salesman. Since the salesman is doing only a part of the work of selling in many cases, he should understand the relationship of his own work to the work of the other selling and non-selling departments. He should understand house policies and the bearing of other sales methods upon his own work. The chapters devoted to the salesman's relationships with his house, methods of hiring, methods of compensation, supervision, and stimulation are intended to give a broad background to the salesman and sales manager for the understanding of planning and performance of personal selling work.

II

THE SELLING PROCESS AND THE SALESMAN

The elements of the selling process. Selling as a part of the marketing process. The selling process as a mental process of the buyer. The factors involved in a sales transaction. Duties of the salesmen in relation to the selling process.

THE selling process is an economic and psychological, as well as a business, process. It is economic because it deals with economic goods and aims to bring about economic transactions. It is psychological because it involves the human mind, because it involves the evaluation process, the meeting of the minds of buyers and sellers, human actions, and human behavior. From the economic point of view, the purpose of the selling process is the consummation of transfers of goods, money, and services. From the psychological point of view, the purpose of the selling process is the development in the buyer of the consent to purchase by a process of suggestion or reasoned thought and the development of a favorable attitude toward the seller, so that subsequent repetitions of the process may require less effort. Economically, the selling process is one of entering the market and offering goods or services for sale. If the demand does not exist as an active demand, then education and creation of demand may be required before the product can be sold.

As a business process it has as its objective the transfer of ownership of goods to buyers at a price which will yield a profit and warrant continuance of the business enterprise in its activity of serving the wants and needs of the public. Since selling involves private business, human nature, and public welfare, it is evident that any attempt to analyze the selling process must take cognizance of these different points

of view and must attempt to determine relationships between the different analyses. Business men in general and salesmen in particular are interested in the analysis of the selling process from the view-point of the acts which must be performed to effect sales and the ways and means of performing them. The student of business science is interested in the analysis of selling as a marketing process. The psychologist is interested in the analysis of buying and selling activity as a form of human behavior. The legal mind is interested in the analysis of selling processes and sales transactions in order to determine a basis for establishing justice in adjudicating differences between sellers and buyers. The economist's interest in economic analysis of the selling process is that of the public welfare.

THE ELEMENTS OF THE SELLING PROCESS

The selling process required for the distribution of goods through personal selling to buyers includes all the tasks which the salesman must perform in the practice of his art and a number of others, for which the sales department is usually responsible. The tasks are not definite, are not taken up in the same order in each case, and may be stressed or minimized, depending upon conditions. But in all selling in which the seller takes the initiative, it becomes necessary to:

1. Get information about classes or groups of users and buyers
2. Find the individual buyers within that class, for the location of buyers in general does not help unless it is supplemented by information as to where a specific seller can reach a specific buyer
3. Get information about the individual prospective buyer so as to facilitate selling
4. Plan sales to buyers in general and by classes
5. Plan sales to a particular buyer
6. Secure access to the buyer

7. Secure attention of the buyer, make him an offer, and make the sale
8. Fill order and deliver goods properly
9. Perform duties and services which will increase goodwill, satisfy buyer, and increase his willingness to make future purchases

1. Getting information about classes of users and buyers involves, first of all, the determination of the users of the product; second, the determination of the buyers of the product with whom a particular seller is to deal. The user of a product and the one who purchases from a particular seller may not be and usually are not the same for many products distributed in our modern economic organization. The user, the ultimate consumer, does not purchase from the producer but from a middleman, the retailer. The retailer in turn may purchase from a wholesaler who secures his supplies from the manufacturer. Therefore, it must be determined, first of all, whether the seller is endeavoring to sell to ultimate consumers, to wholesale or industrial consumers, or whether he is endeavoring to sell to middlemen who purchase for resale.

The determination of users is sometimes a very simple matter. It is obvious that an automatic stoker will be sold to a class of buyers entirely different in number, location, and buying habits from the class of buyers of a popular breakfast food. The purchasers of electric-furnace supplies constitute a definite group, while the purchasers of certain types of hardware constitute a very indefinite market. A study of the uses of a product will have to precede any attempt to collect information about buyers.

If the product is properly classified, the classes of buyers will in part be determined. The classification of commodities by Cherington according to their relationship to ultimate consumption is suggestive in this connection. He points out that merchandise may be classified as:

(a) Merchandise for manufacture, including raw materials or partly finished materials which enter into manufacture.

The classes of buyers will, of course, be entirely different as a whole from those who buy the finished products, possibly at retail stores. The buyers of merchandise for manufacture are interested primarily in uniformity of quality and price as related to their resale prices.

(b) Merchandise for equipment or for large-scale consumption.

In this case, merchandise disappears from trade because it is purchased by consumers. The buyers are animated by somewhat different motives from those in the third class.

(c) Merchandise for individual or household consumption.¹

The most difficult problems arise in connection with the third class of merchandise. The classes of buyers may include small or large consumers or any one of various classes of middlemen.

The fundamental nature of the selling process is essentially the same for all, but the application of fundamental principles may vary widely as between retail and wholesale buyers, as between large and small consumers, as between consumers and middlemen. Determining even the classes of buyers is not always easy, but there are many products the buyers of which can easily be determined. While it is a simple matter to say that the buyers of automobile tires are automobile owners, and that even the individual names can be secured, if the manufacturer wishes to go to sufficient expense, it is not quite so easy to get a list of up-to-date dealers in tires. To find the users of a commodity such as felt is a much more difficult matter, because new uses are being discovered constantly. The same is true of bakelite, a product on the market, for which there seem to be many new and unrelated uses. A determination of the classes of uses and users is in part the work of the sales department, but the salesman must keep on the alert for new uses for

¹ Professor Copeland classifies commodities as (1) consumers' goods sold in retail stores, including convenience goods, shopping goods, and specialty goods, also recognizing wagon retailing and bulk retailing; and (2) industrial goods, including the five classes of (a) installations, (b) accessory equipment, (c) operating supplies, (d) fabricating materials and parts, (e) primary materials. Two bases, the uses to which the goods are put and the buying habits of the purchasers, support the view that the classification is useful in the study of merchandising policies and methods but is not intended to help the seller determine who users are. See *Principles of Merchandising*, pp. 11-18.

his products, which may bring into the market wholly new classes of buyers.¹

The determination of the classes of buyers, actual and prospective as contrasted with users, requires additional knowledge of the marketing system of the distribution policies of the particular house, and of the buying habits of users and middlemen. If it is the policy of the seller to deal directly with users, then the determination of users is the determination of the buyers. Consequently, the brush manufacturer who sells through his own house-to-house canvassers, or the typewriter company which distributes through its own retail branches, the textile machinery manufacturer who sells direct to textile mills, the office appliance manufacturer who sells direct to business houses, the manufacturer of drop forgings for manufacturers—all have determined their buyers when they have determined the classes of users. But for the seller who distributes through middlemen, this knowledge of users is merely a starting point from which to determine the group or groups of middlemen from whom users buy directly or indirectly. Two manufacturers producing the same article may sell to different classes of buyers, depending upon a difference in distribution policy. One soap manufacturer sells exclusively to jobbers, another exclusively to retailers, a third exclusively to consumers. A manufacturer of typewriters may sell direct to consumers or exclusively to retailers. The distribution policy of the seller may be such as to cause him to sell to several classes of buyers and several classes of middlemen as well as to consumers. The jobber may sell exclusively to retailers or he may sell to larger consumers.²

2. The second general step, of finding out who the individual buyers are, is more often made the work of the individual salesman. While sales departments sometimes

¹ See Chapter V.

² See Chapter VI.

collect prospect lists built up through advertising and in other ways, it is usually true that the salesman is furnished with little more than a customer list and must, therefore, do the prospecting for himself. Insurance salesmen know this fact well, and the best ones consistently make it a part of every day's work to find new prospects. The discussion of the building of customer and prospect lists will be taken up later.¹

3. Securing information about prospective buyers includes ascertaining who does the buying within the buying firm and obtaining such facts as will bear upon the needs of the buyer, as well as facts which will enable the salesman to present his offer under favorable conditions. If such knowledge is legitimately obtained and rightfully used, assurance is increased so that sales immediately and ultimately will result in a surplus of satisfaction for both buyer and seller. Securing such information is necessary if the seller is to determine the relationship of what he sells to the buyer's wants and needs.

4. The planning of sales to buyers in general, performed frequently by the sales department for the salesman, includes the collection and presentation of such knowledge concerning the products to be sold and concerning the market and methods of presentation to the market as relate to groups of buyers, not to individuals. Sometimes this includes a standard sales talk, a few alternate sales talks, or lists of standardized paragraphs, though ordinarily it does not go so far. Though such planning should in a large part properly be the function of the sales department, it is a fact that many salesmen are not furnished even with the elements of such information or of such preparation for selling, when they go out to make calls upon prospective buyers. As a consequence, the salesman himself must frequently do the entire planning of the work, must acquire in various ways such knowledge of the product and of the

¹ See Chapters VI and VII.

market as he can secure, and must make up for the failure of the sales department to do its part.

5. The planning of the sales to the individual buyer involves, specifically, the adaptation of the general information, knowledge of appeals, and selling points to the specific buyer upon whom the salesman is to make the call. This adaptation is perhaps even more difficult than the first step of planning sales in general.¹

6. The sixth step, getting access to the buyer, is considered by many salesmen to be one of the most difficult steps in the process. The difficulty of securing access to the buyer has been enhanced by abuses of salesmanship, by the work of inefficient salesmen, and by the ignorance and personal idiosyncrasies of buyers. The most competent buying organizations do not make access difficult for sellers, but they do insist upon the conservation of the time and energy of both seller and buyer in the presentation of the proposition.²

7. It is in the interview, or as its direct result, that the salesman makes his sales. The personal contact furnished by the interview is the characteristic of personal as distinguished from other forms of selling. The success of the salesman is usually measured by the outcome of his sales interviews; nevertheless, it is conceivable that a salesman might make no complete sales but establish a basis for future sales; in fact, so-called missionary salesmen sometimes do not take orders.

All the planning and preparation mentioned above are directed to two ends: first, effecting the sale, usually in the interview, and second, in insuring satisfaction to the buyer. The problems of the interview are among the most difficult, because planning, even of the most painstaking kind, cannot yield complete information as to reactions of individual buyers, nor is the knowledge of methods of in-

¹ See Chapter VII.

² See Chapter VIII.

fluencing men to purchase sufficient to give much assurance to the salesmen. Only by study and experience can the task of successfully conducting a sales interview be performed.¹

8. The delivery of the order in such a way as to create good-will is highly important. While delivery may not be under the control of the sales department, it is true that failure to deliver goods as specified or failure to deliver goods at the proper time will destroy good-will much more rapidly than it can be built up. It enhances the difficulty of making future sales.

9. Lastly, there are many other services which salesmen may perform in order to create good-will. There are serious questions involved as to the social advisability of performing some of these services, but department stores and other types of institutions offer a great deal of service as a means of creating good-will as a foundation for sales.²

The proportion of this process³ performed by the individual salesman will depend upon a number of factors, chief among which is the development of the sales department and the amount of help furnished by that department to the salesmen. It is to be noted that in unusual cases the salesman may perform practically every operation in the list. At the other extreme is the salesman who does nothing more than make calls upon customers who

¹ See Chapter VIII.

² See Chapter IX.

³ The selling process expressed in somewhat different terms involves the following, as far as consummation of the individual sale is concerned: (1) The buyer must know of the seller and the seller must know of the buyer. The buyer may secure his knowledge of the seller in various ways—verbal reports, names in directories, and so forth. The seller may secure knowledge of the buyer from numerous sources which are outlined elsewhere. (2) The buyer comes to the seller or the seller to the buyer. The initiative is usually taken by the seller in the case of manufacturers whose goods are not purchased ordinarily by wholesale buyers or large consumers, where the existence of purchasing agents or purchasing departments renders it more common for the purchaser to seek the seller. But even for them, the existence of competitors may make it necessary for the initiative to be taken by the

are ready to order the product. He may be assisted in obtaining access to the particular buyer and he may secure help in obtaining the order after interest has been developed. Though the salesman may be responsible for only a small part of the selling process, it does not follow that his importance or his income depends upon that factor directly. It may be asserted that in concerns of size the salesman is unfortunate who is compelled to perform all of the selling process himself; his work would be more effective if judiciously combined with other selling methods.

It must be noted that some of the operations in the selling process need not be performed for each sales transaction. When a customer list has been built up, so that volume of business is satisfactory, the operations necessary to make sales to customers are less numerous and less complex. However, after companies have built up such lists of customers, they should not depend solely upon them for continued or increased business. Every company's customer list undergoes some changes because business is not static. As a consequence, it is necessary to hunt new customers, to substitute more satisfactory for less satisfactory customers, and in such cases the performance of all may be required just as in a new business, or in selling a new product. The salesman may be helped by his house in planning not only for sales to classes but to individuals, for the maintenance of customer and prospect

seller. (3) The seller attempts to induce the prospect to buy. This involves the interview, in the case of personal salesmanship. (4) The buyer purchases or refuses to purchase at the time. The consent of the buyer to purchase involves all the elements of the sales contract. The refusal of the buyer to purchase indicates that one or more of several causes are operative: (a) the presentation of the proposition may have been faulty—the buyer was not convinced that he needed the product; (b) the buyer did not need or want the product; (c) the buyer finds that this proposition compares unfavorably with other propositions; (d) factors unrelated to the offer may have intervened to prevent acceptance by the buyer; (e) the buyer receives an impression from the transaction which may be pleasing or displeasing. The creation of good-will through the merit of goods and the service involved in their delivery and the nature of the buyer's relations with the seller, whether pleasant or unpleasant, combine in producing a general impression which will help or hinder the seller in attempting to make repeat sales.

records. He may be helped in the interview by a branch manager, by the credit manager, or some other superior, or by another salesman who is a technical expert, or a "good closer," or a specialty man. The salesman may create goodwill by his attitude and actions. While a salesman depends primarily upon his house and its product and service for good-will, a salesman may add to or destroy that good-will by his manner and actions in contact with buyers.

SELLING AS A PART OF THE MARKETING PROCESS

The selling process is the most important and the most difficult part of the marketing process. The whole marketing process may be very simple, as in the case of goods produced to order from buyers who come to the producer, or very complex, with numerous transfers of goods before they reach the ultimate consumer. Economists have come to speak of various portions of the marketing process as marketing functions. These functions must be performed in some way by some one if goods are to move from producer to consumer and if they are to be available to the latter when he needs them and wants them. These functions¹ have been variously classified as: (1) selling, (2) buying, (3) transportation, (4) storage, (5) financing, (6) risk-taking, (7) selection and grading. This classification based upon Dr. Weld's work differs slightly from that proposed by other writers, but there is an essential agreement as to the fundamental importance of selling. Without this

¹A. W. Shaw, in his *Approach to Business Problems*, Harvard University Press, Cambridge, 1916, is responsible for one of the earliest attempts to analyze marketing functions. As the functions of middlemen he enumerates the following: sharing risks, transporting goods, financing the marketing operations, and creating demand for the goods. The article of L. D. Weld in the *American Economic Review*, June, 1917, pp. 306-318, carries this analysis somewhat further. See also Cherington's *Elements of Marketing*, Macmillan Company, 1920, p. 25. The marketing function as given by Clark, *Principles of Marketing*, Part II, Macmillan Company, 1923, are: (1) functions of exchanges, including (a) selling, (b) assembling, (c) buying; and (2) functions of physical supply, including (a) transportation, (b) storage, (c) financing, (d) risk-taking, (e) standardization.

phase the function of physical distribution would not take place nor would there be any necessity of risk-taking.

To repeat, selling is the most important and undoubtedly the most difficult of marketing functions to perform under modern conditions. A seller must take the initiative; no longer is it usually necessary for the buyer to do so. The market is commonly a buyer's market in which the seller seeks the buyer, not a seller's market in which the buyer seeks the seller. The seller may find it necessary to create a demand for his goods, inducing the purchaser to regard that particular seller as a desirable source of supply before actual purchase will take place. The transfer of ownership, the essential element in the selling function, involves the whole field of human relations and the whole field of human behavior; not only with commodities and services but with the tangible results of human acts and reactions. Salesmen deal with infinite variations of human minds. The task is, therefore, much more difficult than the control of materials. Relatively, the human element in sales seems to be much more important than the human element in manufacturing. No machines can be developed which are taking over selling work. While it is true that the labor problem is most difficult and the most important of any of the problems which confront production managers today, there are fairly accurate methods of measuring the quantity and quality of work done by those engaged in manufacturing operations. Such is not the case in selling. It is difficult to measure the performance of a salesman with such accuracy as to do justice both to the salesman and the employer, as well as to the public; yet some measurement must take place.

The effectiveness of selling and the efficiency of the selling organization will depend in no small measure upon the way other functions are performed. Assembling, the bringing together of stocks of goods for buyers, is for middlemen the reverse of selling. Several reasons may be given for considering the assembling functions as well as

the selling functions: (1) the buyer cannot purchase everything he is asked to purchase; he must exercise judgment in the selection of those articles which will meet his needs or those of his customers; (2) the selling function is often not effectively performed, so that to purchase properly, the buyer must make definite efforts in order that he may get the goods that he needs. Some types of product, particularly necessities, staples, and raw materials, are marketed in ways that require the buyer to make more than the usual amount of effort.

The functions of transportation and storage are self-explanatory. Formerly it was as necessary for the merchant to transport goods he sold as it was for him to sell them. Under modern conditions transportation is taken care of largely by railroads, trucking companies, express companies, and various other agencies. The seller is interested in the proper performance of this function. If the goods are not delivered in satisfactory condition at the proper time, the buyer complains, the seller loses good-will, and the amount of selling effort needed in order to effect the future transfer of goods is increased. The fact that goods must be and are produced long periods in advance of their purchase and use by consumers makes it necessary to provide storage for the goods. This may require the keeping of stock in a manufacturing plant or warehouse or the stocking of retailers' stores. On the other hand, it may require highly specialized and expensive plants such as cold storage houses, cotton warehouses, and the like, in addition to warehouses for general merchandise, and warehouses and stock-rooms of producers and middlemen.

The marketing of goods requires the investment of capital both in the form of equipment and in the form of working capital for the conduct of operations. Just as in manufacturing, those who undertake the marketing of goods and those who are best fitted for it, are often not those who possess the capital with which to carry on the operation most profitably. The need for funds, with the risks

involved, emerges. In the credit era in which we are living, the maintenance of a steady and economical flow of goods to the consumer requires granting credit to buyers. This increases capital needs and needs for current funds. The financial needs vary according to the seasonal nature of the business in such a way that it would often be unprofitable to invest sufficient working capital to take care of its peak line of business. The relation of financing to personal selling is, of course, not difficult to determine. The salesman is selling his goods at a price and under certain conditions. Credit terms and policies have frequently a decisive influence on sales.

The risks of damage and deterioration in quality, of change in style, and, most important of all, change in price, must all be borne by some one in the course of the performance of the marketing process. The success with which the selling function is performed will have much to do with the relative amount of risks, including change in price, change in style, and the other risks which are assumed.

The last of the marketing functions—selection and grading—refers to the grading, sorting, and packing, which involves functions necessary to give the public what it wants in the unit, grade, and container desired. The salesman knows that the difficulty of selling is affected adversely by poor grading, or by unattractive containers. He knows also that the selection of the proper unit of sales may be the reason for the difference between small and large sales.

THE SELLING PROCESS AS A MENTAL PROCESS OF THE BUYER

With the perception that the selling process hinges upon securing the consent of the prospective buyer to purchase and that this consent is the result of conviction and action of the buyer as induced by the seller, there has been a general tendency toward regarding the selling process as a succession of mental states. To create these mental states in the mind of the buyer was the purpose of the salesman's

efforts; he was advised to learn methods of attracting attention, of creating interest, of developing desire, and of inducing action, in order to make the sale.

Most students who have approached the subject of salesmanship either from the view-point of analysis of existing practice or from the view-point of the psychologist, have adopted a classification of the steps in the selling process similar to the following:¹

1. Getting attention for the product or the service which is to be sold—the approach to the customer
2. Arousing interest in the product
3. Creating desire for the product
4. Closing the sale as the result of conviction
5. Developing of satisfaction and good-will, so that resistance in the case of future sales is decreased

The detailed criticism of the theory that the salesman should endeavor consciously to create a succession of mental states in the mind of the buyer is reserved for another chapter.² In view of the fact that the mental states do not occur in any fixed order, and that the transition from one to the other is usually not perceptible, it is confusing and misleading to the salesman to have him attempt to follow such advice without a full understanding of the limitations of the theory, and without a clear understanding of relationship of mental states to thought, impulse, and action.

¹ Kitson, H. D., *The Mind of the Buyer*; Macmillan Company, 1921, p. 5, uses as his stages: attention, desire, confidence, decision, and action and satisfaction.

Whitehead, *Principles of Salesmanship*, Ronald Press, 1923, p. 30, states that the mental stages are attention, interest, desire, and action.

Knox, *Salesmanship and Business Efficiency*, Knox Business Book Company, 1922, chaps. xvi-xix—arousing interest, producing conviction, creating desire, and closing the sale.

Jones, *Salesmanship and Sales Management*, Alexander Hamilton Institute, 1919, chap. v—attention, agreement, desire, and close.

Hawkins, *The Selling Process*, Norval A. Hawkins, 1920, chaps. vii-xii—sizing up the buyer, gaining and awakening interest, persuading and creating desire, handling objections, securing decision and obtaining signature, the getaway and lead to future orders.

² See Chapter III.

A comprehension of the underlying nature of the selling process and the nature of selling work as an activity directed toward the satisfaction of the buyer's needs and wants, will be more effective in bringing about sales than any rule-of-thumb method of attracting attention or creating other mental states.

THE FACTORS INVOLVED IN A SALES TRANSACTION

The sales transactions, the objective of the selling process, may be subjected to an analysis, which much resembles the analysis made by legal authorities of the elements of a sale. The sales transaction is said to involve six elements:¹ (1) seller, (2) buyer, (3) the things to be sold by the seller, (4) the things to be given in return by the buyer, (5) the valuation process, and (6) the rules of the trade—common law, statutes, or the rules of society affecting the transaction.

1. *The seller.* The seller is rarely subjected to analysis in discussions of salesmanship, although it is of the utmost importance for the salesman to know the firm which he is representing. The salesman should realize that the buyer is purchasing much more than the goods. He is purchasing service, the assurance of an adequate supply, the assurance of fair dealing. Furthermore, unless the salesman is representing a reputable house, he is doing a shady business and in the long run suffers, even though shady houses often give larger salaries than do reputable houses for a short period. The seller is in business for profit, which he expects to secure by sale at prices higher than his costs. This profit is what he secures as a reward for his performance to society. It matters not whether he is a manufacturer or a retailer, the force of competition will be such that he cannot survive long in business unless he renders a service to society correspondent with the price which he secures. Society, at least in the long run,

¹ See *Harvard Business Review*, Vol. II, p. 209.

shows its disapproval of a business through the influence of price competition. If the seller does not add utility to a product—that is, utility¹ in the economic sense—his labor must be classed as predatory and should not be allowed to be carried on. Society is constantly at war with predatory labor, and a number of types of selling which were at least condoned a few decades ago are now forbidden by law.

2. *The buyer.* It is evident that buyers may include all classes and all ages, that only a very small proportion of the population at large is excluded from the class of buyers. As will be shown later, buyers' motives are many and varied. They may be rational, but even more often they are irrational. The need for selling implies that buyers are constantly confronted with the inability or unwillingness to buy everything offered to them.

3. *The things to be sold by the seller.* Things to be sold by the sellers include, of course, material things which contribute to the material welfare of mankind, as well as many intangibles, many of which are mere titles. Tangibles, such as raw materials, semi-manufactures, manufactures, agricultural products, machinery, are to be contrasted with intangibles, such as insurance, securities, and business services.

The seller sometimes has more to offer than his goods or service; a well and favorably known manufacturer may offer to the dealer the prestige of handling his line, a prestige which at times has substantial value.

4. *The things to be given in return by the buyer.* The things to be given by the buyer may, in a state of barter, be as varied as the things offered by the seller. However, under modern conditions, under what economists call "credit economy," the buyer usually offers money or credit equivalents for the things purchased. That is, the transactions take place on the basis of money, on either immediate or deferred payments, according to the terms agreed upon.

¹ By the term "utility" is meant usefulness in satisfying a want or desire.

This may seem elementary, but the difficulties in Europe and the difficulties in international trade have been profoundly influenced by the fact that there was no stable monetary basis with which exchanges could be effected. But money is frequently not the only thing given by the buyer. Just as a seller may, through the prestige of his house and through the prestige which his goods will carry, offer something to the buyer which is not inherent in the goods themselves, so the buyer may offer prestige which may be fully as important at times as money considerations. For instance, the sale to certain leading retailers or the installation of machinery by a concern which has a reputation of being progressive and of testing thoroughly and knowing exactly what it is doing, may have a selling value for the seller which is a distinct consideration in the making of the sale. The practice of reciprocity is also to be taken into account. A buyer who is also an important seller may urge his purchases as a reason for preference; A, a manufacturer of motor trucks might, trying to sell trucks to B, a steel manufacturer, urge that because he bought steel from B, he should be favored in any award of motor truck contracts by A.¹

5. *The valuation process.* The valuation process is at once an economic process and a psychological process. As an economic process it is treated in connection with the discussion of exchange in most economic treatises and specifi-

¹ The Student Editorial Board of the *Harvard Business Review*, endeavored, in 1924, to ascertain the extent of reciprocity and the attitude of business men toward it.

As a result of the analysis the following questionnaire was prepared for a representative list of manufacturers.

HARVARD BUSINESS REVIEW
Information on Reciprocity

Date.....

Name of Company

Address

Information furnished by

(title)

1. Under what circumstances, if any, do you practice reciprocity?
 - (a) When price, quality, and service are the same?
 - (b) When price is slightly higher for same quality and service?
 - (c) When price is considerably higher for same quality and service?

(Footnote continued on page 65)

cally in dealing with the laws of supply and demand. In economic discussions, exchange transactions in general are discussed. In salesmanship, individual transactions are treated, but strictly speaking, as Professor Carver states of prices in general, there are no sales transactions in general, there are no purchasing transactions in general. There are merely innumerable individual purchases and sales, each of which is the result of a valuation process whereby the seller

(Footnote continued from page 64)

- (d) Other circumstances?
2. What actual price differential do you overlook in practicing reciprocity?
 3. Do the firms from which you ask bids know that you practice reciprocity?
 4. Does the practice of reciprocity increase the difficulty in obtaining bids or prices?
 5. Is each case involving the use of reciprocity decided separately or do you have a general rule? If you have a general rule, will you kindly state it?
 6. In what officer is vested the power of deciding upon the practice of reciprocity as a policy of the company?
 - (a) President?
 - (b) Treasurer?
 - (c) Purchasing agent?
 - (d) Sales manager?
 - (e) Other officials?
 7. What percentage of your purchases, or of your sales, is made with reciprocity involved?
 8. Do you offer customers who make bids an opportunity to revise their prices as quoted in order to meet the lowest bid offered you?
 9. Do you keep any record of actual differences in costs caused by the practice of reciprocity? If so, to what department or account are such differences charged?
 - (a) Sales department?
 - (b) Advertising expense?
 - (c) Good-will?
 - (d) Directly as a material cost?
 - (e) Other means?
 10. How long have you used reciprocity?
 11. Do you feel that reciprocity is a sound business policy? An expedient one?

It was found on examination of the replies that thirty-five concerns practiced reciprocity to some extent, while ten did not practice reciprocity to any degree. The following table gives the number of firms in each industry which practiced reciprocity:

Conveying power transmission machinery	4
Hoisting machinery	3
Foundry equipment	3
Coal mining	3
Metal working machinery	3
General machinery	3
Alloy steel	3
Mining equipment	2
Rubber products	2
Electrical equipment	2
Pneumatic tools	1
Sprinklers	1
Paper and fiber products	1
Motor trucks	1
Glass and optical products	1
Brass and wire goods	1
Tractors	1

(Footnote continued on page 65)

and buyer must reap benefit if the transaction takes place. This valuation process has been made the subject of intensive study by economists and psychologists. The whole theory of marginal utility rests upon the valuation of the commodity or services to be sold and the money or equivalent to be received in return. In developed society, with mass production, it is evident that the seller does not value most of what he has to sell on the basis of its value to himself. The manufacturer of kid gloves, for instance, may

(Footnote continued from page 65)

The firms replying in the negative to any practice are listed below:

Metal working machinery	2
Paper products	2
Mining equipment	1
Accounting, office machinery	1
Adding machines	1
Fabrics	1
Foundry equipment	1

It is to be noted that the answers are from concerns which manufacture producers' goods; that is, goods used by other firms in their processes of production. Questionnaires were largely restricted to this class of manufacturers, for it was felt that firms producing consumers' goods would have little opportunity to buy from those to whom they sold.

Of the forty-five concerns which answered question 1, thirty-five did and ten did not practice reciprocity in any degree; twenty-eight practiced it only when price, quality, and service were the same; two when price was slightly higher; three overlooked a considerable price differential; one gave the answer "as opportune"; and another "indefinite."

Twenty-three concerns answered question 2. Thirteen stated that no differential was overlooked in practicing reciprocity; four answered, "some"; two, "fairly large"; three, "small"; and one, "as may be opportune."

In reply to question 3, ten stated that other firms knew of the practice; five, that some knew of it; two, that most did; six, that they did not know of it; and two answered, unknown.

Eighteen out of twenty-four replies to question 4 maintained that it did not increase the difficulty of securing bids; three said it did make it more difficult to secure bids; one said "sometimes"; one, "somewhat"; and another doubted such an effect.

In answer to question 5, twenty-one firms said that they decided each case of reciprocity separately; four used general rules; and one said that there were few exceptions to the general rule.

The answers to question 6 showed that in nine companies the question was decided by the purchasing agent; in five, by the president; in two, by the general manager; in three, by a conference of the president, purchasing agent, and sales manager; in two, by the president and vice-president; in one by the president and general manager; in another, by the president, treasurer, and purchasing agent; and in one, by all officers. The question is evidently considered by most firms as one of important general policy, affecting all departments.

(Footnote continued on page 67)

care for a few pairs for himself and a few more for his family and friends, but he has no use for the thousands of pairs which constitute the output of a modern plant. He values a large stock only for the amount which it will bring as a result of this valuation process. Nevertheless, he will not continue making and selling gloves unless he believes that they can be sold at a profit, which means that in the

(Footnote continued from page 66)

The replies to question 7 indicate that seven keep no record of their reciprocal purchases; six state that they amount to a very small percentage; three, small; one, very large; one, 40% to 60%; two, 50%; three, 10%; and one, 5%.

In answer to question 8, thirteen replied that they did not give their customers a chance to revise their bids; eight allowed it occasionally; two, rarely; and three always allowed their customers this privilege.

In no case was any special accounting method used to handle the additional cost caused by reciprocity.

In answer to question 10, all but two firms indicated its use over a long period of time, eight replying "always."

In answer to question 11—whether they considered the policy sound or expedient—seventeen of those who practiced it said sound; nine, expedient; one, both; and one, neither. Some of the comments are worth noting. The following quotation from one of the replies probably represents the attitude of those who consider it a sound policy:

We feel that reciprocity is a sound business policy, and an expedient one, although it probably could be overworked to the extent that if a company were well known to be wedded to the plan, it might have difficulty in securing quotations from those outside its scope. A reasonable amount of reciprocity tends to put business concerns on a comfortable, friendly basis, and to encourage close acquaintance and mutual interest in one another's business. It results in your securing the services of your business friends who have your interests in mind and try to extend your sales or help in any other reasonable way.

Another is similar:

—it is no more than simple courtesy and good business, and possibly a moral obligation, to give business to them who give business to you in preference to others who give you none. You thereby develop your customers' business and in turn your own, in the proportion in which your product enters into his production or sale. If you starve your customer, you in effect cut off both the intake and outgo of your own business to that extent.

The following quotation is representative of the attitude of those who consider it expedient:

If the entire reciprocal dealing of the country could be eliminated it would undoubtedly be to the economical interest of the country. However, as long as some practice it to the exclusion of others, the only recourse of the others is to protect themselves as far as possible. That is, if a large buyer insists upon a reciprocal exchange whereby you must purchase his product in turn, and you are faced with either accepting his ultimatum or losing the business to a competitor who will accept, you simply weigh the advantage of the business against the cost of the business you give, or rather the excess cost to you in taking his product, and if the balance is in your favor, accept. If there is an excess cost to you, this is of course an economical loss to the country as a whole.

A firm replying in the negative made the following statement:

(Footnote continued on page 68)

valuation process the amount at which they will be purchased by buyers is sufficiently above the amount they cost him to give him a fair return. From the view-point of the seller, the selling process if effectively performed has the following results: (a) the seller has secured money or its equivalent in credit, or commodities which he desires more than those which he disposed of; (b) the buyer has received goods which will give him, directly or indirectly, greater satisfactions than would be accorded to him either by possession of the goods which he had; by other goods of the same kind as those he bought at that price, either because of better quality or service; or by possessing other goods which he might have purchased.

6. *The rules of the trade.* It is evident that sales transactions must be in accord with the laws of the jurisdiction in which they are carried on:

(a) The laws which may affect sales are, of course, all those which have to do with negotiable instruments, with contracts, and the laws which are generally classified under the heading of sales.

(b) Furthermore, in interstate selling there may be specific prohibitions or specific regulations regarding domestic or foreign corporations, which must be looked into before the salesman undertakes to sell in a particular locality.

(c) Next, there are laws with regard to competitive practices. These are, for the most part, general in nature and are

(Footnote continued from page 67)

The company I represent is unalterably opposed to reciprocity in business, believing that this is naturally the wrong principle on which buying and selling should be based.

Another firm uses stronger language in its condemnation of reciprocity. It says:

The practice to which you refer is wrongly named when you called it "reciprocity," as it should more properly be called "business blackmail."

It is evident that the answers show considerable variation. An attempt was made to see if the position of the officer answering the questionnaire within the company organization tended to determine his answer, but there was no apparent influence. It was also found impossible to make any distinctions between firms on the basis of amount of their purchases affected by reciprocity.

It should be emphasized that of the forty-five firms replying to the questionnaire, only ten overlooked a price differential in favor of their own customers.

in constant process of interpretation by the courts and by regulative bodies, particularly the Federal Trade Commission.

(*d*) There are special laws and ordinances relating to certain types of selling. State laws regarding sales of securities, so-called "blue-sky laws," ordinances affecting house-to-house selling, or license requirements for insurance agents are illustrations of this class.

(*e*) There are likewise the rules of the trade with regard to transactions. Trade customs and trade organizations have their effect upon the way in which the sale is carried on. It sometimes happens that these trade customs are outgrown by the progress of the trade and that the progressive concern will break with custom and adopt new methods and practices.

(*f*) Lastly, there are those ethical rules of conduct which should govern all transactions and which may or may not be embodied in the law or in the customs of the trade. The rules of common honesty, or regard for the interests of society, fortunately coincide in a curiously complete fashion with those which result from the analysis of good selling on the basis of the economic definition—namely, that both parties to the sale must benefit—and if both parties to the sale benefit, the chances are large that the transaction is ethical. And yet there may be agreements between buyer and seller, whereby both benefit, but whereby the third party of the transaction (the public) and its interest in securing lower distribution cost and in securing greater comfort and happiness are not subserved. It is a fear of just such conditions as this suggests that has caused many of the laws regulating business to be passed.

DUTIES OF THE SALESMAN IN RELATION TO THE SELLING PROCESS

The duties of salesmen in the practice of personal salesmanship are of two general types, those which relate to the consummation of the sale to the individual buyer, including the creation of good-will, and those which relate to other matters necessary to bring about correlation of the salesman's work with the work of others in the organization. Most of them may be grouped in the divisions of selling duties and non-selling duties as given on the following page.

Selling duties:

1. Acquiring the information needed for making sales, such information relating to the organization policies and methods of the house, the product, the buyer, and methods of presenting the product and its seller to the buyer
2. Planning the work, both in general as to daily work and specifically as to the single interview
3. Going to the buyer and securing the interview
4. Making the sale
5. Performing such services as may increase the good-will of both customers and prospects

Non-selling duties:

1. Collecting and transmitting information and suggestions to superiors
2. Handling claims and adjustments
3. Making collections
4. Making reports to superiors

This is by no means a complete list of the duties of salesmen and would fit no single one. There are other duties which deserve mention but which are by no means so commonly assigned to salesmen as those in the classification.¹ Some salesmen make deliveries; for instance, the salesmen for the Fleischmann Yeast Company and the salesmen for the Fuller Brush Company do this. Salesmen for technical products such as adding machines, machine installations in textile plants, may assist in making delivery; though often such assistance is intended merely to create good-will

¹ The following list of duties of salesmen other than selling appeared in *Printers' Ink Monthly*, April, 1924, p. 19. It will be observed that a large proportion are directly related to selling and creation of good-will:

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|---|---|
| 1. Distribution of dealer helps | 13. Checking up trade practices and dealers |
| 2. Demonstrations | 14. Market investigations |
| 3. Window-display work | 15. Mailing lists |
| 4. Resale work | 16. Digging up new prospects |
| 5. Watching dealers' stocks | 17. Credit information |
| 6. Helping dealers to be better merchants | 18. Collections |
| 7. Working with retail salespeople | 19. Ambassadorial work |
| 8. Corresponding with trade between calls | 20. Service |
| 9. Working with jobbers' salesmen | 21. Instruct junior salesmen |
| 10. Adjusting complaints | 22. Warehouse stock control |
| 11. Distributing advertising | 23. Delivery |
| 12. Checking up on advertising | 24. Other duties |

and is not necessary for completion of the particular sales transaction. Some salesmen aid in the training of assistant salesmen or recruits to the sales force.

No statement concerning the duties of salesmen can be made which would be universally applicable. The group of selling duties, particularly that of going to the buyer, securing the interview, and making the sales are characteristic of the great majority of salesmen, but there are salesmen who do not take orders, attempting merely to create good-will which will help middlemen in securing orders. A certain phonograph manufacturer sells exclusively through jobbers, but retailers are visited by representatives of the manufacturer who help to make resales, window displays, advertising plans, store arrangement and displays. All orders, however, are taken by the representatives of the jobber.

Examination of the duties of salesmen reveals wide variation between firms in the nature of selling and in the proportion of the selling process which is to be performed by the salesman. As a whole, little attention has been directed toward the fundamental problem, outside of the pioneer work at the Bureau of Personnel Research of the Carnegie Institute of Technology.¹ In the compilation of sales man-

¹See H. G. Kenagy and C. S. Yoakum, *The Selection and Training of Salesmen*, McGraw-Hill Book Company, 1925, p. 79, which makes public for the first time a portion of the results of several years of research in problems affecting salesmen. The outline of duties of a salesman as used by the authors in the study of a salesman's job was as follows:

1. *Making the sale.* (a) Gets acquainted with the prospect and gathers information concerning him. (b) Plans the interview. (c) Analyzes the prospect's needs. (d) Demonstrates. (e) Presents facts and reasons; answers objections. (f) Appeals to buying motives during the interview. (g) Fights competition. (h) Writes sales letters and written propositions to be submitted. (i) Creates good-will toward himself by talking on topics not related to the sale of his product. (j) Solicits signed orders. (k) Makes collections; determines prospect's credit rating.

2. *Routing duties.* (a) Follows instructions. (b) Makes reports. (c) Keeps records. (d) Takes proper care of his equipment and stock. (e) Keeps himself informed concerning latest prices, changes in product, and so on.

3. *Service.* (a) Installs his product. (b) Trains operators. (c) Trains dealers to resell. (d) Helps dealers resell.

4. *Executive duties.* (a) Plans the day's work. (b) Plans ahead. (c) Supervises the work of his assistant salesmen. (d) Develops self-initiative by taking care of his health, by associating with successful salesmen, by studying, and by reading inspirational literature, and so forth. (e) Observes facts in his territory that have a bearing on the sale of his product. (f) Gathers local sales arguments. (g) Works out new ideas and makes suggestions to superiors.

5. *Creating of good-will toward himself and his company.* (a) Renders good-will services that are not related to the sale of this product. (b) Adjusts complaints and grievances. (c) Participates in social affairs of community. (d) Boosts his company.

uals, and manuals for salesmen, sales executives have occasionally thought it necessary to include a description of the duties of salesmen in their employ.¹ One of the most carefully developed manuals used by a very large manufacturing company outlines the duties of salesmen as follows:

¹ The manual for salesmen which contains a clear statement of duties seems to be the rare exception; approximately 5 out of 50 manuals examined touch the subject even lightly. An exception is that of a company selling to wholesalers and retailers which states that the traveling representative's chief duty shall be to increase sales of the company's product. This shall be accomplished by such methods as the following: (1) By securing new dealers. By increasing sales to old dealers. By securing better display of products and more complete use of dealer helps. By cooperating with wholesale agencies. By appointing wholesale agencies subject to direction of the department managers and by teaching wholesalers and retailers how to handle the product. (2) The traveling representative, when directed by the department manager, shall make collections and adjustments in case of claims. (3) The traveling representative shall consider himself the official reporter on sales conditions in his territory and shall make out not only the regular reports called for by the company, but shall also report and make suggestions on any other matters which may be of benefit for the company. (4) The traveling representative is the personal representative of the company in his territory. His acts are taken by dealers and others with whom he comes in contact as the acts of the company.

Less definite is the statement in its sales manual of a company manufacturing men's work garments:

Duties of salesman. He is assigned a definite territory, which may be considered his store. The amount of business he secures depends, to a great extent, upon his own efforts. He is credited with all business obtained from his territory, according to the plan outlined under "commissions" on another page. Whether he operates in city or country territories, it is understood that what is most desired is distribution, and to secure this he must enlist the cooperation and support of every dealer in his area. The size of the account is not to be considered. No town or no account is too small to receive particular and continuous attention. His interest in securing as nearly a 100% distribution as possible should be purely selfish. "What is good for the goose is good for the gander"—what is good for the man on the territory is good for the house. Orders and reports must be mailed each night without fail; route sheets should be forwarded one week in advance, and a card index system kept of all accounts.

He will work in harmony with special salesmen who happen to be sent to assist him in securing increased distribution.

Personal letters are to be sent to the trade.

He is to handle his business in a clean-cut manner, which will be a credit to himself, as well as to the house.

Duties of special salesmen. They work under the direction of the sales department and will not occupy specified territory; their duties are to open new accounts, both dealer and industrial, which the regular salesman is unable to secure.

When working in a territory, while directly under the supervision of the office, they work in perfect harmony with the local salesman. Their position is to assist and to build, and not to detract or tear down the work of the local salesman. The fullest cooperation is necessary to obtain the best results.

A year's trial has demonstrated that regular salesmen find the special men of great assistance. We have noted that their return to a territory is always welcome.

A moving-picture distributing corporation lists the duties of salesmen as: honest selling to customers, cooperative work with customers, advancing business-getting ideas, keeping posted on goods, planning local campaigns in advance, cooperation with manager, following instructions and policies, making comprehensive detail reports, making economical expenditures.

DUTIES OF SALESMEN

1. To solicit and secure profitable orders for the company's product (including purchases resold) from a prescribed list of customers
2. To understand thoroughly the company's product (including purchases resold) and its uses and applications
3. To know the demand of each customer in his care, for each line of product sold by him
4. To develop demand with each customer in his care for each line of product sold by him
5. To find new customers and prospects for each line of product sold by him
6. To follow and report fully on activity of competitors
7. To account for all purchases by customers or failure to purchase
8. To comply with the company's routine as to discipline and reports
9. To maintain prices
10. To render to and obtain from other salesmen in his own or other district offices with the approval of the division manager or district manager, such assistance as may be necessary successfully to negotiate existing business or develop new demands. The intent here is that our salesmen should avail themselves of the organization's fullest resources and facilities to insure the maximum selling results
11. To inform himself of the customer's credit standing as an essential feature of his work, keeping the credit department promptly and fully informed
12. To discover and report upon any trade demand for materials, devices, or products, presumably coming within our line of manufacture, but not now made by us
13. To suggest changes and improvements in existing lines of the company's products to meet customers' requirements
14. To be familiar with and utilize all of the company's advertising of all kinds and especially the individual publications prepared as sales helps for the products handled by him

III

PSYCHOLOGY OF THE SELLING PROCESS

What is psychology? The psychology of salesmanship. The psychology of the selling process. The selling process as a series of mental states. The selling process as a "situation-response" process. The selling process as a process of satisfying wants.

THE selling process, designed to accomplish an economic purpose, rests in its essentials upon a series of psychological actions and reactions, because the objective of salesmanship can be obtained only after there has been an agreement, a meeting of the minds of buyer and seller. The problem of the salesman, then, is to bring the buyer to accept the valuation which has been placed upon the product or service offered by the seller.¹ It involves, first of all, helping the prospective buyer realize that he has an economic need which should and can be satisfied. In the second place, that of all the wants which at that time remain unsatisfied,

¹The psychology involved in the practice of salesmanship is a part of the psychology involved in the marginal utility theory of value advanced originally by the Austrian school of economists. According to their theories, value as the cornerstone of the study of distribution is predicated upon the subjective valuation on the part of buyers and sellers and the necessity for an adjustment of those valuations before exchange can take place. It is true that, as it is presented in economic science in a cold, impersonal way, there seems to be little in common with the high-powered salesmanship of the effective specialty salesman of today. Yet the valuation of the buyer and the valuation of the seller form the basis of both transactions. From the point of view of economics, the manufacturer who makes goods to sell can use only a small proportion of what he manufactures himself, perhaps none at all. His subjective valuation of a greater proportion of the supply, therefore, is zero. However, future use must be taken into account. It happens that the subjective valuation of the seller contemplates not only subjective valuation in use but also the valuation necessary to afford a profit and an incentive to continue in business. Specifically, the salesman who goes out to sell for the manufacturer is given a product either with a fixed price, with a definite lower price limit, and frequently with a definite higher price limit. That constitutes the point from which he proceeds in his effort to sell. See Böhm Bauerk, *Positive Theory of Capital*, Book III (Smart translation, 1921).

the one which the salesman is desirous of filling, should, in reality, be filled. The next logical step is to assist the prospective buyer to determine the intensity of this want, the value to him of the article which he has decided to buy. Finally, the salesman must convince the prospect that the goods which the salesman's house has to offer are those which will most satisfactorily meet those needs.¹

There is danger, however, in laying too much stress upon the relative subjective valuations themselves. Two qualifications to be noted are, first, that the transaction involves more than the commodities or services which constitute the subject of the transaction. Personal relationships, prejudices, inclinations, which would be disregarded if we were moved only by rational motives, play, in actual practice, more than a small part in influencing a decision. It is because of this fact that the personality of the salesman can play so large a part in personal selling transactions. Second, the buyer is frequently unable or unwilling to exert himself to make his subjective valuation an accurate one. As a consequence, the salesman may convince or fail to convince the buyer of the advantage of making a particular purchase. But all of this illustrates different forms of mental

¹ It is safe to say that many men have never had the need for protection from sickness and old age called to their attention. The need is there but it may remain inactive until some insurance salesman brings it to the conscious thought of a prospect. No successful salesman would stop here, however, having pointed out that there is such a thing as protection against old age and sickness and that it can be purchased at a definite cost per year. The prospect must be shown that of all the needs which he has for a new automobile, a trip to Europe, an attractive speculative investment about which the prospect has just learned, or the current monthly purchases, a life insurance policy is *the* best investment at that particular time and that he can make the purchase, if he should desire to do so. The next step then is to assist the prospect in determining, first, what type of policy will best fit his peculiar needs, and second, how large a policy he should obligate himself for. To the man selling intangibles, this means that he has to assist in selecting the quality or grades and quantity, in many cases. Having assisted the prospect this far, this life insurance salesman still needs to convince his prospect that the insurance which he is selling will fill this need, as well as, if not better than, the policy offered by any other company. The more familiar the salesman is with his territory, the less emphasis he will have to place upon the first three steps in any individual sale, but any salesman who ignores them is by that act making himself less effective.

activity, successions of mental states, human nature and human conduct, human wants and human satisfactions; in other words, the selling transactions involve the subject-matter of the science we call psychology.

WHAT IS PSYCHOLOGY?

Psychology, traditionally regarded as the "science of the mind," is defined by one of the newer schools of psychological thought as "that division of natural science which takes human activity and conduct as its subject-matter. It attempts to formulate by a system of observation and experimentation the laws and principles which underlie man's reactions."¹ The aim of psychology, therefore, is to render our knowledge of human nature more exact and more systematic, in order that we may control ourselves more wisely and influence our fellow men more effectively.² It would be useless to go into a discussion of the difficulties of definition if psychologists disagree, both as to the scope of the science and as to the methods which are to be used in securing further effects which are essential to the progress of the science. We find that three types of study are commonly used, however, the first being self-observation or introspection, which is claimed by some psychologists, and particularly by the so-called instinct psychologists, to be the most important method. This method of self-observation means that one is to examine his own experiences carefully to determine the nature of these experiences and the nature of his responses to particular types of impressions. It may be used indirectly, through friends telling

¹ Watson, John B., *Psychology from the Standpoint of a Behaviorist*, Lippincott, Philadelphia, 1919, p. 1.

² McDougall, William, *Outline of Psychology*, p. 1, Charles Scribner's Sons, New York, 1923.

The definition given by Warren, in *Human Psychology*, illustrates the point of view of the so-called physiological psychologists. He defines human psychology as the "science which deals with the interaction of man and his environment by means of the nervous system and the internal organs, together with the mental events which accompany this interplay."

one their experiences, getting the impressions of reactions to certain mental effects which may not come with one's own experience, or, if they do, may check up with one's own observations.¹

From the view-point of the salesman, self-observation is very important both for the purpose of determining the characteristics of personality possessed by the salesman himself, and their probable effect upon the responses of others. That is, a salesman may ask himself, "What impression would I get if I should be approached by a man who was slovenly dressed, by a man who presumed upon my good nature to tell me a story in doubtful taste?" If the salesman reacts normally to stimuli, to common appeals, in his attitude to other persons, the method of introspection, self-observation, may be of great help in testing the soundness of any particular method of approach or presentation of his proposition.

The second general method of securing knowledge concerning psychology is the study of human behavior. The study of human behavior comprises the sole method of importance to the newer behavioristic group of psychologists. The study of behavior may be carried on both by observation of the behavior of others and by experiments to determine reactions to given stimuli.² The third method is experiment and observation of the nervous system used to supplement the other methods. It is not important for the direct purposes of applied psychology.

Personal selling centers in the prediction and direction of human behavior; more specifically, prediction of the reactions of the buyer to the presentation of offers of the

¹ Warren, H. C., *Human Psychology*, Houghton, Mifflin, Boston, 1922, p. 8.

² The general purposes of psychology, according to the behavioristic school, come very close to salesmanship and to other business activities. As stated by the most noted exponent of that school, "the principles which they hope to obtain from the study of human behavior will permit of two generalizations: (1) to predict human activity with reasonable certainty, (2) the formulations of laws and principles whereby man's actions can be controlled by organized society." Watson, *Psychology from the Standpoint of the Behaviorist*, pp. 1 and 2. Little attempt as yet has been made to make applications to salesmanship.

seller and the direction of the reactions of the buyer by appropriate means. Psychology, therefore, in salesmanship is applied psychology, knowledge of the applications of scientific facts gathered by psychologists and which in classified form constitute their science.

THE PSYCHOLOGY OF SALESMANSHIP

Much has been written about the psychology of salesmanship during the past few years, and an impression has been created that there is a specific psychology of salesmanship, the mastery of which would enable a man to become a successful salesman. That is far from the truth. There is no such definite body of applied psychology for salesmanship which can be used to train salesmen. There are portions of psychological knowledge which bear upon the task of influencing men. The sale is an economic transaction which takes place between persons whose motives in the transaction may be purely economic in the older sense of pure acquisitiveness, or whose motives may be highly complex. Economically, the reason for the exchange, as stated above, is the desire to secure an increase of economic utility, but the economic utility is a combination of underlying instincts and aims which go much farther back into the whole mental and physical equipment of the individual and into the history of the human race.

The psychology of salesmanship is, therefore, the psychology of human nature and human behavior. In so far as psychology helps salesmen to understand the wants, motives, and reactions of other men, it will throw light upon the characteristics of human nature which come into play in making a sale or purchase, but the best psychologist in practical selling is not likely to be the man who claims to know the nature of instincts, or what authorities say about inner drives or other psychological conceptions. Nor is he the man who devotes his main attention to the details of manner of walking into an office, in greeting a

prospective buyer in a certain way. Rather, he is the man who understands the buyer's needs, who is broad-minded enough to understand and sympathize with the attitude of the other man, who can naturally adjust his conversation so that the full force of his appeal and the full force of his suggestions to the buyer may meet with the smallest possible resistance.

Psychology and pseudo-psychology have been brought into the study of salesmanship for four general purposes: first, for the purpose of analyzing the process of sale, breaking down the mental processes involved in selling so that each might be studied individually, and successful methods of accomplishing each might be chosen, avoiding incorrect methods. Second, they have been studied for the purpose of determining the nature and force of buying motives; third, for the purpose of determining the actions and reactions of prospective buyers, not only to the requests to buy, but to the impressions made by the salesman through his appeals and actions. Lastly, psychology and pseudo-psychology have been called upon to furnish material for sizing up prospective buyers so that the salesman may choose selling appeals and adjust his actions in such a way as to enhance the effectiveness of his selling work.

In studying the application of psychology to salesmanship, one should not ignore the progress which has been made by psychologists in the field of advertising. While it is true that the surface has hardly been scratched, the results of psychological methods in testing appeals, the relative effectiveness of different sizes of advertisements and various types of headlines, and so forth, are sufficient to warrant the statement that psychological study will play no small part in the future direction of advertising, the other great selling medium at the disposal of the distribution manager. More specifically, psychological research has been used in advertising¹ for the following purposes:

¹See Poffenberger, A. T., *Psychology in Advertising*, A. W. Shaw Company, Chicago, 1925; or Starch, Daniel, *Principles of Advertising*, A. W. Shaw Company, Chicago, 1923.

1. Analysis of the product, especially to determine its qualities and uses;
2. Analysis of the market, especially its location, size, intensity, and frequency of purchase;
3. Differences between buying habits of the sexes;
4. Relative strength of appeals (considering both product and market);
5. Proper size of an advertisement;
6. Proper kind, size, and location of the illustration;
7. Most advantageous length, style, and type of copy;
8. Most pleasing colors, and their combination;
9. Selection of the typography of the advertisement;
10. Most attractive arrangement of the component parts of an advertisement, supplemented by a unifying and pertinent border;
11. Determination of memory value;
12. Selection of a trade-mark, slogan, and package, carton, or label;
13. Relative value of one large versus several small advertisements (value of repetition);
14. Location of the advertisement within a medium;
15. Selection of the proper class of mediums; their relative value;
16. Proper time of appearance;
17. Most effective length of campaign;
18. Interval between appearance of advertisement and response.

Some psychologists, however, who admit that the methods of experimental psychology may well be applied to advertising and that much is to be expected in the future from such work in the elimination of waste in advertising, seem to deny that any such development can come in connection with personal salesmanship. The basis for their contention is largely the fact that the advertiser deals with masses of individuals in which one makes an appeal to a portion of a group, to types, while in personal salesmanship the transaction takes place between two or, at most, a very few individuals. Successful advertising brings its appeal to a type

of individual, the exact prototype of which may not exist or may exist only in small numbers. However, it is not without its significance that some of the effective practical advertising psychologists have constantly written their advertisements with a single individual in mind, who was deemed to be representative of the psychological point of view of the large class of purchasers reached by advertising thus prepared.¹

It seems to be somewhat premature, however, to claim that some of the fundamental methods of experimental psychology cannot be applied to the study of personal salesmanship. In a practical fashion such experiments have been made by various business enterprises, although they were not labeled psychological experiments. The executive who conscientiously attempts to build up a fund of experience in selling, in which he builds up a standard presentation of his product; the executive who collects and tabulates the objections brought up in the course of sales interviews and who studies the experiences of salesmen in the field and determines the most effective answers to objections is in a crude way carrying on experimentation to determine the most effective applications of psychology to his own particular problems. The fact that there are protagonists of the standardized sales talk, the fact that there are firms that can point to the successful use of the standardized sales presentation, supports the view that while there are infinite differences in human nature and in human beings, these differences are not so great as to render foredoomed to failure any attempt to predict and measure the force of appeals or the reactions of buyers in the personal contacts with sellers.

It is true that accurate measurement of the strength of such appeals is difficult because purchases are made with

¹Two noted publishers have related their experience in attempting to find a basis for writing advertisements which would be effective. Each had achieved the desired effectiveness by directing the advertising at a particular individual who was deemed to be representative of a large class of subscribers to the particular magazine.

reference not only to the strength of the appeals or rational motives, but also with reference to the personality of the salesman. There can be no doubt that if two salesmen were sent out into territories precisely alike, both appealing to the same motives, using the same sales arguments, and equally industrious, the salesman with a good personality might make many more sales than the other with a weaker personality. It is clear, moreover, that it would be much more difficult to secure a sample which would be statistically sound in applying the experimental methods of psychology to personal salesmanship than it is in the case of advertising.

The prediction of human behavior would undoubtedly be the most important possible result of the study of psychology for the individual salesman. The prediction of human behavior may be attempted and often has been attempted as the result of deductive study. Starting from the general proposition that all men are dominated by acquisitiveness, it might be predicated that the person to whom a certain sales offer was made would buy; or it might be stated that all men are dominated by the sex complex, therefore, the only effective appeal is one which introduces that so-called dominating motive. But such generalization cannot be arrived at without observation, and observation shows that our actions are the results of a complex of instincts, aims, and rationalization. The study of human behavior, therefore, is one requiring long and careful application before any dependable results may be distinguished. Sound psychologists recognize this fact; pseudo-psychologists do not.¹ In spite of the intensive study of many scientists, the surface has barely been scratched, and the true scientist is the first to admit it.

The science of psychology is so new that not many years ago the idea of a science of the human mind was scoffed at.

¹ Observation of behavior has been made by competent scientists (1) on animals, (2) on humans. The latter type of observation falls into observation on (a) infants, (b) normal adults, (c) abnormal adults. Each type of study has certain advantages in relation to the prediction of human behavior.

But there is no serious doubt now that a body of scientific knowledge has been developed and will be further developed. The fact remains that psychology is so new that it has yet been able to contribute very little help of a definite nature to salesmanship, because it has been able to contribute little help which bears upon the prediction of human behavior. The future promises much, but the salesman and business executive who accepts extravagant claims regarding the psychology of salesmanship is laying himself open to imposition and disappointment. The principal contributions of psychology to business in recent years do not relate specifically to salesmanship. These contributions are chiefly those of method for further investigation rather than of principles which might be used to predict conduct of individuals. The methods of determination of intelligence or mental alertness have been improved to such a point that some confidence can be placed in such tests when properly used; trade tests have been developed in some cases which forecast with greatly increased accuracy the performance of an individual on a job; factors which affect human action and efficiency have been studied; the applications to advertising which have been mentioned—these are the chief contributions of psychology which have a bearing on aspects of selling work but which do not relate to personal selling as such.

THE PSYCHOLOGY OF THE SELLING PROCESS

The psychology of the selling process is the psychology of the process of influencing men and women to purchase goods in order to satisfy their wants and needs; in other words, to secure satisfactions by purchase of goods or services from the seller at the solicitation of the seller. Psychologically, the process is a very complicated one, since it involves indirectly the entire range of operations of the human mind. To break it up into its essentials for the purpose of discovering what the process actually is, to discover

better means for bringing the process to successful conclusion, is to run the risk of overlooking the complexity, the necessary qualifications, and of attaining simplicity only by the sacrifice of truth.

The mental operations involved in selling may be analyzed from three points of view:

1. From the point of view of the mental states which characterize the selling process. The theory underlying this sort of analysis is that knowledge of the states of mind and analysis of the causes for such states of mind will enable the salesman to talk and act in such a way as to bring about a succession of mental states which will result in a sale. This succession of mental states has been used by those who do not claim to use psychological terms, as well as by trained psychologists. Although terms vary, the usual succession of states in the selling process is given as: Attention, Interest, Desire, Conviction, Action, Satisfaction. Various writers and speakers omit or consolidate terms, but the differences are not material except the frequent omission of "Satisfaction."

2. The second type of analysis, much less common, rests upon the assumption that man's every action is the response to a particular stimulus. This type of analysis is suggested in Hollingworth.¹ It follows the behaviorist theory that every action of a man is the response to an appropriate stimulus. Then the problem of the salesman is to determine the appropriate stimulus and apply it, and the action of the sale is inevitable.

3. The third type of analysis is the newest of the three. It is developed logically from a study of the economic nature of a sales transaction and a recognition that human wants are basic.² This suggests that since the purpose of salesmanship is to satisfy wants, the proper order of psy-

¹ Hollingworth, *Advertising and Selling*, Appleton, New York, 1913 and 1920.

² See Dickinson, Z. C., *Economic Motives*, Harvard University Press, 1922, p. 14; also Strong, E. K., *Journal of Applied Psychology*, March, 1925, p. 75.

chological analysis is to determine the wants of the buyer and satisfy them.

1. Determine the wants and needs of the buyer;
2. Determine the relationship of the goods of the seller to the buyer's wants;
3. Demonstrate how those wants can be satisfied by the proposition;
4. Secure action which will satisfy that need as fully as possible.¹

THE SELLING PROCESS AS A SERIES OF MENTAL STATES

The analysis of the selling process as a series of mental states is characteristic of most of the treatments of salesmanship which have been published in recent years. The use of this form of analysis was started, according to Strong,² by E. St. Elmo Lewis and reenforced by A. F. Sheldon,³ who added a fifth step to Lewis' four; which were: (1) Attract Attention, (2) Maintain Interest, (3) Create Desire, and later, (4) Get Action; by making the last, (5) Secure Satisfaction. The early works upon the psychology of advertising accept this classification, as well as most of the works written by others. As a whole the idea that the analysis of the selling process must be the analysis of a series of mental states dominates the literature of salesmanship. For that reason, if for no other, the analysis should be given careful attention by the student, though for the salesman it should be regarded as a background for his work and not as a working tool for practical purposes. Consequently, a brief analysis of the stages from the view-point of the psychologist will be taken up as a basis for criticism.

¹The analysis, p. 61, refers to the interview and does not include (1) and (2) given here.

²*Journal of Applied Psychology*, March, 1925, p. 75.

³Sheldon, A. F., *The Art of Selling*, Sheldon University Press, Libertyville, Illinois, 1911.

1. *Attention.* Attention¹ has been described, by one school of psychologists, as the focusing of consciousness, the theory being that in the sensations which come to every individual the state of attention is characterized by the direction of the content of consciousness toward a single or toward a very few objects. Selection of sensations is the term used by other psychologists who describe this state; while the so-called sensationists regard attention as the direction of the stream of consciousness toward the object of attention. The essential ideas are similar. The stimulus selected for attention is clearer and more distinct than others and relatively seems more intense. The importance of attention from the view-point of the seller arises from the fact that every idea, if it is the exclusive or dominant object of attention, tends to develop into action.

The types of attention which may be distinguished are involuntary attention, including the attention which a person gives to sudden movements, loud noises, and other stimuli which detract attention from other objects. Such stimuli frequently attract attention momentarily, at least against the will of the person. The second type of attention has been called non-voluntary or "effortless" attention; that is, it is attention which is not the result of exercise or volition but is based upon and accompanied by interest. Lastly, there is attention which is voluntary or volitional, based upon the effort of the subject to attend to a particular stimulus.

It is obvious that of the types of attention which the seller wishes to secure, non-voluntary or effortless attention—the attention based upon and accompanied by interest—is the type which is of greatest value in effecting the purpose of the selling process.

¹ Upon attention, see William McDougall, *Outline of Psychology*, Charles Scribner's Sons, New York, 1923, pp. 265 ff; E. B. Titchener, *A Textbook of Psychology*, 1924 Edition, Macmillan, New York, 1924, pp. 265 ff; W. B. Pillsbury, *Essentials of Psychology*, Macmillan, New York, 1911, p. 104; Ribot, *Psychology of Attention*; A. J. Snow, *Psychology in Business Relations*, A. W. Shaw Company, Chicago, 1925, p. 381.

Various methods may be necessary and can be used to attract involuntary attention at the outset of an interview which must be developed into favorable interest. The professional buyer to a limited extent will exercise voluntary attention as the result of his policy of listening to the proposition of each salesman who calls upon him.

Attention implies exclusion of other ideas. The fact that one can attend to only a few objects at a time is important for the salesman to remember in his conduct of the interview, because out of it grows the oft-repeated advice to the salesman to eliminate, so far as possible, all distracting influences. It is frequently wise to postpone an interview and start to develop the sales proposition at a later time if interruptions or distractions divert or tend to divert attention away from the salesman's proposition. Again it must be pointed out that attention to any one stimulus is of short duration. Many experiments have been made to determine the length of attention, and usually the statement is that attention to a single stimulus lasts usually no more than one second. Attention developed into interest which can be sustained is secured by varying the stimulus. By pointing out new selling points, developing old ones, by allowing the buyer to examine the product, by giving new information and new ideas, the stimulus is constantly being changed in order to sustain attention.

There are two general questions which suggest themselves in the study of attention as related to personal selling: (1) How is attention attracted? What are the conditions of attraction? (2) What are the signs of attention which will enable the seller to determine whether he has obtained the attention of the buyer or not? The general methods of attracting attention and the stimuli which are important in attracting attention are usually grouped under two general headings as objective and subjective conditions. Among the objective conditions determining whether or not attention shall be paid to a particular stimulus is the intensity of stimulus. Loud sounds attract where other sounds might

not; strong odors attract attention; likewise bright lights; the size of an object; and bright colors. The duration of a stimulus may attract attention; for instance, the noise which continues longer than usual will attract attention. Beyond a certain point the involuntary attention so attracted is likely to be superseded in the mind of the person by attention to other objects. In the second place, change of stimulus tends to attract attention. The change from a loud sound to a soft sound will attract more attention than a continuance of the loud sound. Objects in motion are likewise effective in attracting attention. Out of his own experience any one can suggest many instances of the use of motion to attract attention. Again, the repetition of a stimulus attracts attention though repetition may become monotonous and result in loss of attention if carried too far.

The subjective conditions, which determine attention, operate primarily through the fact that they create a basis of interest upon which attention may be developed. First, a stimulus which is in accordance with the ideas in the mind of the person will attract attention where another stimulus would not. Secondly, the purpose or attitude of the person at the moment may determine whether or not he will pay attention. If his attitude at a moment is one of desire for a particular type of satisfaction, he will immediately pay attention to any stimulus which relates to that desire. Third, the earlier experience and education as well as heredity will have a distinct effect. The man who has been educated in engineering will pay attention to an engineering installation or to an engineering device much more readily, ordinarily, than the person who has no such background. The person schooled in painting will pay attention to a portrait which would attract no attention from the average man. A person who has inherited a love for music will pay attention to stimulus related to this art more readily than the person who may be entirely devoid of such inheritance. It is clear that these all furnish a predisposition or an inclination toward attention, which does not hold

for the fourth or the subjective condition, which is sometimes called duty or social obligation, in which effort is required to attend. In such cases attention is paid, not because the person is compelled to attend nor because he is predisposed to attend, but because he thinks that he ought to attend.

From the view-point of the person selling, many of these methods may be used to attract attention, but it seems to be true that favorable attention and attention which will eventuate in action is more likely to be secured by developing attention on the basis of subjective conditions which involve interest than upon the basis of any of the others, although it is true that objective conditions may be used effectively to supplement subjective conditions. This has been demonstrated by experiments in the attraction of attention in various features of advertisements, such as layout, typography, and size. Since the purpose of personal selling is the satisfaction of human wants, the attracting of attention of the most favorable sort would come from appealing to interest or desire stimuli in order to develop involuntary attention or attention which requires no effort to sustain.

Attention shows itself physically in the individual in various ways. The sense organs are adjusted to characteristic positions. The eyes are fixed on the object, the person tends to turn toward the source of a sound, and other senses are likewise subjected to adjustment in order to enable the subject more easily to secure further stimuli. In addition to the fixing of the eyes and the turning of the head toward the sound, there are muscular contractions. In some attention there is practically no effort or movement. In marked degrees of voluntary attention the person may show a troubled brow. The muscles of his jaw may be set, fists clinched, and he may give and feel the impression of muscular strain. The purpose of the whole process seems to be that through the process, sense organs are more adequately adjusted to the reception of the stimuli. For

instance, holding the breath prevents interference of distracting stimuli. If the salesman learns to know these signs by experience, he can secure a very definite impression of the attitude of the buyer. But he will realize that the more schooled a buyer is in the repression of his own reactions, and many of them have acquired the facility, the more difficult it is to know whether he is getting undivided attention or not. Nor is the attention he receives always favorable or always directed at his proposition.

2. *Interest.* Interest as a mental stage in the selling process is likewise commonly included by writers of salesmanship in their lists of mental states. An examination of psychological authorities, however, reveals the fact that some do not use the conception but refer to it as a reversion to primary sustained attention, others as a mental attitude, and a few regard it as purely incidental in a study of human behavior. A very brief examination of three view-points will be helpful in determining what studies of recognized psychologists are applicable to the work of the salesman.

(a) The first group of psychologists who regard interest as a mental state define it as "the recognition of a thing which has been clearly connected with experience before—a thing recognized as old; . . . the root idea of the term seems to be that of being engaged engrossly or entirely taken up with some activity because of its recognized worth".¹ In a study of the *Mind of the Buyer*, Kitson lays down two laws of interest to help the seller: "*In order to create interest in a thing, give information about it.*" As a corollary of the first, "*state the new in terms of the old.*" In other words, the interest is based upon previous experience and existing inclination to repeat or to avoid an old experience. Second, "*in order to create interest in a thing, arouse activity toward it.*"²

¹ Kitson, H. D., *The Mind of the Buyer*, Macmillan, New York City, 1921, p. 78.

² *Ibid*, pp. 79 and 85.

(b) A different view-point is that expressed by Professor McDougall when he states that "to have an interest in any object is to be ready to pay attention to it. Interest is latent attention and attention is interest in action. The essential condition of both interest in and attention to any object is that the mind shall be so organized that it can think either inactively or through experience of the object and that such thinking shall evoke some interest or desire pertaining to the object";¹ while elsewhere he says, "*We are interested only in those things that evoke in us one or other or several of the instinctive impulses.*"² The instinctive impulses include, also, the group of derived sentiments. This view-point is important particularly because Professor McDougall regards instincts as "the prime movers of all human activity."

On that basis, knowledge is not sufficient to develop interest. Giving the buyer knowledge will not develop interest unless it also evokes in him an instinctive impulse to action.

(c) The extreme behavioristic psychologist apparently does not use interest because human conduct depends upon the direct relationship between stimulus and response. To them the attitude of interest is not important, only incidental to the existence of the situation response process.

For the practical purposes of personal selling, the following points may be developed which are of help in reconciling these views:

(1) It must be remembered that interest, like attention, is developed automatically, if the buyer secures a definite impression that the offer of the seller will satisfy an instinctive desire.

(2) Knowledge about the relation of the product to a man's previous experience helps to show him and make him understand the relationship to his own pretention or expressed desire.

¹ McDougall, *Outlines of Psychology*, p. 277.

² *Ibid*, p. 276.

(3) To create in the mind of the buyer the images or ideas regarding that relationship, it is necessary to speak in terms of a man's previous experience.

(4) Interest is developed most surely when relationship to needs can be conclusively demonstrated.

3. *Desire.* Desire as a mental state in the selling process is characterized by the consciousness of a want or need which is not being satisfied. Wants and desires involve a striving for satisfaction, while action which will satisfy the desire is delayed or prevented by a physical difficulty, the physical impossibility or the amount of effort required to get satisfaction; or by an intellectual difficulty produced by comparison of satisfactions to be gotten otherwise than by satisfying the particular desire; or a moral difficulty where the satisfaction of the desire would be contrary to ideas and beliefs as to proper conduct.¹ As soon as desire has been succeeded by action which brings satisfaction, it ceases to exist with reference to the particular object. But in selling and buying, the buyer is in a state of desire when he possesses the feeling that he desires a satisfaction and that through purchase, that desire may be satisfied. The stage may exist for a considerable time while the satisfaction desired and anticipated from the purchase is compared with various experiences which occur to the buyer, which may cause him to be more favorably or less favorably disposed to satisfying his desire by making the particular purchase.

Human desires and desire attitudes are all important in the study of personal selling. The problem of developing conscious desire and of showing the buyer that there exists the connection between desire and purchase is the fundamental task of personal selling. Creating and holding attention and interest is secondary when desire is present or has been developed.

¹ "In the narrowest and strictest sense, desire denotes our state when imagination of an object evokes in us an impulse to action, yet action is suspended or prevented by some physical or moral or intellectual difficulty"; McDougall, *Outlines of Psychology*, p. 206.

In creating desire, which will eventuate in a particular purchase, or the acceptance of a particular proposition offered by the salesman, the desire must be made strong and powerful enough to seem more important at the time than other wants which can be satisfied at that time. Inhibitions due to the need of satisfying other desires, the difficulty and impossibility of satisfying all desires, unpleasant past experiences or ideas unfavorable to purchase derived from reason, may prevent purchase action unless such inhibitions can be overcome by the salesman.

4. *Action.* Want and desire lead to motor activity having for its object the satisfaction of that want or desire. The action taken in order to satisfy the desire or want may or may not satisfy them; but the more experienced the person who is trying to satisfy the want, the greater are the chances that he will obtain satisfaction.

Action is the result of an idea; an idea is followed by action, sometimes automatically, if nothing intervenes in the mind to prevent. Sometimes ideas which create desire and lead to action are introduced by suggestion; sometimes they are the result of reasoning processes.

The action referred to in the discussions of the selling process is the purchase act; it is the direct result of the idea that satisfaction of a desire or want will be secured by the performance of the buying act.

5. *Satisfaction.* The mental stage of satisfaction is not included in the selling process by many writers, although in a general way they recognize the necessity of such satisfaction from purchase. The reason for the omission from the lists of mental states is largely due to the fact that attention has been paid primarily to one-time specialty selling and not to repeat selling and the recognition of the need for continuous relations and contacts with customers.

Psychologically, satisfaction is the state of mind which results from the meeting of a real need. It is an attitude which is the result of pleasant experiences. Satisfaction

presupposes desire and action to fulfil that desire. If the action has been appropriate and effective in fulfilling the want, the experience has been pleasant, and there is an inclination to repeat the action should a similar desire recur.

From the view-point of the salesman and sales manager, the study of the selling process from cross-sections known as mental stages or states has obvious merits as well as some serious limitations:

1. The division of the selling process into a procession of mental states gives only a cross-section of the mind at different times. Even though the more careful writers point out that the selling process is dynamic, most writers are not careful to make the distinction.

2. In the second place, the use of a definite series of states lends an air of simplicity to personal selling which is not warranted by the facts. The complexity of selling process is a complexity of psychology as a whole. There are many methods of approach and, depending upon the approach and upon the attitude of the analyst, widely varying conclusions may be reached.

3. There are also serious objections in addition to the exaggeration of simplicity. The series of stages does not come in the order in which it is usually given. While allowances are made in many of the writings for the inversion of attention and interest, the stress is laid upon succession in which interest follows attention. Yet prominent psychologists declare that there can be no attention without previous interest.¹ Furthermore, the stage of confidence used in some analyses may come at any point prior to action. Likewise action may come at any time if attention has been given exclusively to a particular object without any inhibitions or opposing ideas.

The most serious objection to the analysis is that it focuses attention upon the series of cross-sections and not

¹ Warren, H. C., *Elements of Human Psychology*, chap. xv, Houghton, Mifflin, Boston, 1922.

upon the purpose of the process as a whole. That purpose is to satisfy a want or to give satisfaction by means of an economic transaction.

THE SELLING PROCESS AS A "SITUATION-RESPONSE"
PROCESS

The analysis of the selling process from the point of view of considering the purchase act as a response to a given situation or stimulus also has its merits, in furthering the analysis of the process. This type of analysis is one which follows in a general way the teachings of behavioristic psychologists as well as some of those who occupy a position between the animists and the behaviorists. To the extreme behaviorists, the selling process would be one of furnishing the necessary stimuli to bring about the purchase act; and the action or the response would be largely determined by the success in furnishing the appropriate stimuli. The analysis of responses to a particular situation, stimulus, or object furnished by the behaviorists is interesting, when applied to selling, because it points out that securing the buying as well as other responses depends upon numerous factors other than those which the salesman and the buyer usually consider.¹ Habit, appropriateness, emotional tension, intra-organic factors, past history, habits, attitudes, dispositions, all play a part in influencing the buyer's response.

¹ In speaking of the response which is most likely to appear to a certain situation, Dr. Watson says that this depends upon a number of factors:

1. The response most likely to appear is the one which was most recently called out by the object.

2. When recency is not pertinent, the act which has been most frequently connected with the object is the most likely to be called out.

3. The act called out is the one to be most closely connected with the general setting of the situation as a whole.

4. The most important determiners are the situations which the individual has had to come up against during the hours preceding the incidence of the stimulus to which he must now react, and the amount of emotional tension those preceding activities have aroused.

5. Temporary intra-organic factors such as toothache or indigestion tremendously influence our reactions.

6. The most important determiner is the life history of the individual in the sense that his general and special training, illnesses, disappointments, hobbies, family training, and the like, develop in him definite attitudes, trends, and slants. J. B. Watson, *Psychology from the Standpoint of a Behaviorist*, p. 298.

The situation-response point of view is emphasized in some of the discussions of advertising. The idea of appeals rests upon the conception of applying a stimulus to purchase—the appeal is a stimulus to the buying act. The appeal may be applied through reason or suggestion, but its purpose is to furnish a stimulus to a response of purchase of the particular article.¹ The appeals are traced back to the instincts ordinarily. The appeals, therefore, are stimuli to action to satisfy wants or instinctive desires. The analysis of the selling process on this basis of appeals tends to center attention upon the action rather than upon the purpose of the buying action; but as a whole its emphasis of wants and desires is a distinct advance in thinking upon selling topics.

As a whole the situation-response analysis is more helpful in comprehending the dynamic nature of the selling process than is the analysis on the basis of mental states which are characteristic of the process. It directs attention to action and the stimuli which result in action. But it does not concern itself, as it properly should not, from the view-point of the psychologist, with the methods to be employed in arranging the situation so as to secure the most appropriate buying response.

However, the studies of behavior which the behaviorist psychologists are making and will make, will in all probability yield results of very great value for the prediction and control of human behavior not only in connection with the selling process, but in all activities of human life. While as yet the conclusions which some of these investigators have reached are far from being accepted generally, their observation and experimentation will yield material which will be of value not only to those who hold a mechanistic view-point, but to all others who are interested in the study of human nature. As yet the results are small and the facts are few; but the study is new.

¹ For discussion of appeals, see Starch, Daniel, *Principles of Advertising*, Part II, A. W. Shaw Company, 1923.

THE SELLING PROCESS AS A PROCESS OF
SATISFYING WANTS

The conception of the selling process as a process of making the buyer conscious of his wants, demonstrating to him the suitability of a particular buying act as a means of fulfilling that need, seems to be the simplest and soundest analysis from the view-point of its value to the salesman in the conduct of his selling work. That process may be considered from the view-point of the acts which the seller has to perform to initiate the buying response in the buyer and also from the results of such actions upon the succession of mental states through the buyer process. From the view-point of the seller, the process consists of:

1. Determining the wants and needs of the buyer. It includes the analysis of the market and of the individual buyer.
2. Determining the relationship of the goods, tangible or intangible, of the seller to the buyer's wants. This includes both analysis of the product in terms of use and the terms and conditions surrounding the offer of the product in their relation to what the buyer wants.
3. Demonstrating to the buyer how his need and wants can be met by accepting the proposition of the seller. This involves the methods of presenting a proposition to the buyer and the circumstances surrounding its presentation.

The succession of mental states from the point of view of the buyer corresponding to the above would be:

1. The prospective buyer becomes conscious of his need or want.
2. He becomes convinced that the product offered will satisfy his want, and that the desire must be satisfied now, which results in:
3. Purchase, which yields—
4. Satisfaction.

In the following chapter, the important features of the analysis will be taken up for more detailed discussion.

IV

PSYCHOLOGICAL ASPECTS OF BUYING AND SELLING

Buyers' wants. Determining the relationship of the prospective buyer's wants to the sales proposition. Presenting the proposition to the buyer. Suggestion and reason as methods of presenting the proposition to the buyer. Other psychological factors affecting the purchase-buying action. Personality: its psychology and its relationship to the selling process.

THE psychology which will be of service to the individual salesman is the psychology which can be applied to aid him in his work of successfully helping the buyer satisfy his wants through purchase. The knowledge of human nature needed for the successful performance of this task is very broad. First, it includes the determining of wants and methods of bringing about their satisfaction. There are problems in determining the particular wants that usually lead to buying action, and there are problems in demonstrating to the buyer effectively his need of purchase as a means of satisfaction. The salesman, in making his choice and in determining his method of presentation, in the second place, must adapt himself both to the attitude, personality, and reactions of the customer or prospective buyer. Since the buyer himself does not know, and since the buyer does not always tell the salesman what his wants are, either impliedly or expressly, the salesman is proceeding more or less in the dark in the necessary task of sizing up the customer, unless he can devise some plan which will help him. In the third place, the salesman may determine wants and may size up the customer, but may fail to convince the customer of the relationship of his goods to his wants. The method of presenting his proposition is, therefore, a matter to be most seriously studied by the salesman and

by every one engaged in personal selling. Lastly, since the impression given by the salesman's personality and his actions and characteristics as they develop in the course of personal contact are of great importance in their influence upon the results of selling effort, the salesman needs to study the elements of personality and the extent to which he will find it possible to remedy defects and to strengthen advantages of personality which he may already possess.

BUYERS' WANTS

The study of buyers' wants is fundamental in personal selling. The selling process is carried on primarily to satisfy the economic wants of human beings either individually or in groups. The problem of wants in relation to personal selling is expressed in two groups of questions:

1. What are the chief human wants? What is their basis? Which of these wants can be satisfied by purchase, or, in other words, what are the economic wants?

2. What human wants can be satisfied by a particular tangible or intangible product? Which wants are most effective in bringing about buying response on the part of individual buyers?

The human want is a desire attitude.¹ It is an attitude which is based upon the experience of something unpleasant and the imagination of a pleasant alternative, and which leads to motor activity to remove the unpleasantness or bring about the desired pleasantness. The want attitude spurs one to action. When the desire is fulfilled, the want gives way to satisfaction. The basis of human wants and desires is traced by psychologists to various elements. There are some who claim that the instincts and their modifications constitute the basis for human wants and motives.²

¹ Warren, H. C., *The Elements of Human Psychology*, Houghton, Mifflin, Boston, 1922, p. 336.

² According to the foremost exponent of the instinct psychologists, another explanation of instinct emphasizes that instinctive behavior is a succession

There are others who assert that there is an inner urge or drive; or that the desire for pleasure and the aversion to pain are dominant. According to the Freudian group, action is traced to the sexual drive. Others class this inner drive as "soul," "vital urge," "will to do," "transcendental ego," dynamic "human nature," "libido," "desire for recognition," and so forth.¹ Whatever disagreement there may be as to the character of the forces which cause a human being to act, there will be no denial that such forces exist, and it is to these forces that one must look for the explanation of human wants and motives.

Whether one agrees with McDougall, Thorndike, and others, or not, regarding the degree of importance to be attributed to the instincts, the practical purposes of personal selling are best subserved by using some workable classification of wants. The use of a single, all-embracing explanation of human conduct may be practicable at some future time; but for the present, the premise that human wants may be traced to instinct and instinctive desire, either directly or indirectly, is of help in approaching the subject.

Directly or indirectly the instincts are the prime movers of all human activity; by the conative or impulsive force of some instinct (or of some habit derived from an instinct), every train of thought, however cold and passionless it may seem, is borne along towards its end, and every bodily activity is initiated and sustained. The instinctive impulses determine the ends of all activities and supply the driving power by which all mental

of steps in normal order performed automatically when proper stimuli are applied because various nerve paths are so arranged by inheritance that certain connections are inevitable; William McDougall, *An Introduction to Social Psychology*, John W. Luce, Boston, 1921, p. 20.

"In other words, any reflection of cerebral reflexes in which one response provides the stimuli for the next is called an instinct, or instinctive behavior"; Warren, *Elements of Human Psychology*, p. 228.

The behavioristic conception of instinct leads still more strongly to the physiological explanation terming an instinct "an hereditary action pattern, the separate elements of which are movements principally of the stripped muscles"; J. B. Watson, *Psychology from the Standpoint of the Behaviorist*, Lippincott, Philadelphia, 1919, p. 231.

The classification of instincts, which has been most influential in psychological thinking, in recent times, is that given by McDougall.

¹ Kornhauser, A. W., *The Annals*, November, 1923, p. 106.

activities are sustained; and all the complex intellectual apparatus of the most highly developed mind is but a means toward these ends, is but the instrument by which these impulses seek their satisfactions, while pleasure and pain do but serve to guide them in their choice of the means. Take away these initiative dispositions with their powerful impulses, and the organism would become incapable of activity of any kind; it would lie inert and motionless, like a wonderful clockwork whose mainspring had been drawn. These impulses are the mental forces that maintain and shape all the life of individuals and societies, and in them one is confronted with the central mystery of life and mind and will.¹

If psychologists are not agreed as to the nature of instincts, they are still further from agreement upon the classification of instincts. Thorndike, Drever, Woodworth, and McDougall have all submitted classifications more or less similar; while Watson cuts down the list to a very small number, and Dewey² claims that human nature is so complex and human actions based upon such a network of impulses so interwoven that the classification of instincts which will serve as a true picture is not possible. But again the student of personal selling is not concerned with the accuracy of classification, or the possibility of making mutually exclusive pigeonholes into which to place instinct phenomena. He is more concerned with learning the general nature of the instincts as grouped according to the behavior which is characteristic and common. The list of primary instincts given by McDougall has been widely quoted. It is given on the following page.

In addition to the primary instincts, there are derived desires or wants based upon what are called by McDougall sentiments, or by other writers complexes. Love and hatred, contempt, respect, friendship, protection, self-regard, and the still more complex moral sentiments such as hatred of cruelty, love of justice—all develop want attitudes at times.

¹ McDougall, *Social Psychology*, pp. 45-46.

² Dewey, John, *Human Nature and Conduct*, Henry Holt and Company, New York, 1922.

NAMES OF INSTINCTS (SYNONYMS IN PARENTHESES)*	NAMES OF EMOTIONAL QUALITIES ACCOMPANYING THE INSTINCTIVE ACTIVITIES
1. Instinct of escape (of self-preservation, of avoidance, danger instinct)	Fear (terror, fright, alarm, trepidation)
2. Instinct of combat (aggression, pugnacity)	Anger (rage, fury, annoyance, irritation, displeasure)
3. Repulsion (repugnance)	Disgust (nausea, loathing, repugnance)
4. Parental (protective)	Tender emotion (love, tenderness, tender feeling)
5. Appeal	Distress (feeling of helplessness)
6. Pairing (mating, reproduction, sexual)	Lust (sexual emotion or excitement, sometimes called love—an unfortunate and confusing usage)
7. Curiosity (inquiry, discovery, investigation)	Curiosity (feeling of mystery, of strangeness, of the unknown, wonder)
8. Submission (self-abasement)	Feeling of subjection (of inferiority, of devotion, of humility, of attachment, of submission, negative self-feeling)
9. Assertion (self-display)	Elation (feeling of superiority, of masterfulness, of pride, of domination, positive self-feeling)
10. Social or gregarious instinct	Feeling of loneliness, of isolation, nostalgia
11. Food-seeking (hunting)	Appetite or craving in narrower sense (gusto)
12. Acquisition (hoarding instinct)	Feeling of ownership, of possession (protective feeling)
13. Construction	Feeling of creativeness, of making, of productivity
14. Laughter	Amusement (jollity, carelessness, relaxation)

*McDougall, *Social Psychology*, p. 324.

The determination of the wants which can be satisfied by economic transactions or specifically by the purchase of goods or services or all the various types which may be offered by a seller requires little discussion; a survey of the range of goods and services bought shows that every

instinct and every sentiment or complex may on occasion play a part in influencing buying action. The study of the wants which can be satisfied by purchase has usually taken one of two forms:

1. A study of the motives or wants actually appealed to, particularly in advertising. The studies of Copeland, Starch, Hollingworth, and others, give lists of buying motives or appeals which have been developed in this way.

2. The approach to the subject from the effort to determine the applicability of one or another of scientifically or unscientifically predetermined human motives. Both types of study should prove valuable in the approach to the subject of human wants and human motives. The one approach is that of the psychologist who, on the basis of psychological method, has determined the mainsprings of human action and wishes to determine the specific application to buying and selling. The other is the approach from the view-point of actual use, to determine, if possible, both the nature and strength of wants and motives.

The various studies of buying motives and appeals which are really based upon human wants have yielded lists which have much in common with the lists of instincts put forth by the psychologists. For instance, in his study of advertising appeals, Starch gives the following lists of "fundamental desires or wants of human beings and the correlated appeals":¹

- I. 1. Appetite—hunger
2. Taste
3. Cleanliness
- II. 4. Bodily comfort
5. Warmth
6. Coolness
7. Rest—sleep
8. Health
9. Safety

¹Starch, Daniel, *Principles of Advertising*, A. W. Shaw Company, Chicago, 1923, p. 260.

10. Fear—caution
- III. 11. Sex attraction
12. Personal appearance—beauty
13. Style
14. Shyness and modesty
15. Devotion to others
- IV. 16. Parental affection
17. Love of offspring
18. Sympathy for others
19. Protection of others
- V. 20. Domesticity—having a home
21. Home comfort
22. Hospitality
- VI. 23. Possession—ownership
24. Efficiency—making things go well
25. Economy—saving of time, effort, material
- VII. 26. Gregariousness—sociability—associating with other people
27. Social distinction
28. Approval by others—pride
29. Imitation of others
30. Group loyalty
31. Cooperation
32. Courtesy
33. Ambition
34. Competition—rivalry
35. Managing others
- VIII. 36. Pleasure
37. Play—sport
38. Amusement
39. Humor
40. Teasing
- IX. 41. Activity—mental and physical
42. Constructiveness—wanting to build or make things
43. Manipulation—wanting to handle things
- X. 44. Curiosity—wanting to find out
- XI. 45. Respect for or devotion to a superior power (Deity)

This and the other classifications available are sufficient for the immediate purposes of the study of personal selling.

If one studies this and other classifications, it becomes apparent that most of the so-called buying motives can be traced rather definitely to the primary instincts, though the directness of connection with the primary instincts has been modified by the fact that in modern civilization we tend to develop intelligent behavior. This fact is very important. It means that while wants are based fundamentally on instincts, these wants are modified greatly by human experience, intelligence, reason, and habit. This lends special value to intensive studies of wants, to determine the extent and nature of modification which has taken place.

From the point of view of the individual salesman, as well as from the point of view of the sales manager and the advertising manager, it is important to determine what wants can be most effectively appealed to in connection with the sale of particular products. It is clear that as a general principle the wants which are most likely to call for purchase action must be appealed to if a choice is to be made. It is difficult to determine which is the most effective in a particular instance. Knowledge of the individual buyer is of material aid in determining the wants which are effective in causing the buyer to make the desired buying response.¹ The salesman should know the wants to which to appeal in selling his product. In so far as possible, he should know them in advance of the interview with his prospect, but frequently it will happen that the stress he lays upon one point or the other will depend upon the response which he perceives in the buyer. He may find that with one buyer, developing a certain want may bring much surer response than with another, notwithstanding

¹ Some psychologists and some business men, without using such technical terms, claim that the instincts of sex and acquisition are more powerful than any others, and as a consequence, if one makes an effective appeal to such motives in advertising or in personal selling, the assurance of successful consummation in selling is much greater than if it is made to less powerful motives.

the fact that under usual circumstances the former may be more powerful than the others. The particular conditions surrounding the interview and particular components of the buyer's consciousness may be such as to give ready access to a normally less powerful appeal.

It is a very simple and easy thing to develop a glorified simplification of motives, and say that man is moved by a few motives which explain his every action. For instance, one writer makes a statement that back of every desire a man has to buy something, lies one of these five particular motives: (1) the gain of money, (2) gain of utility, (3) satisfaction of pride, (4) satisfaction of caution, (5) yielding to weakness.¹ But it would seem that such a classification of motives does not get to the bottom of things, that one must proceed both from a study of primary instincts as modified by intelligence and habit, and from careful observation of wants which are now effective in inducing a buyer to purchase, before one can make progress in the study of buyers' wants. Even where motives are called rational, to distinguish them from the so-called instinctive motives, they are merely differences in the degree of remoteness from primary instincts and not differences in kind, as some would assert.

From the point of view of the salesman, however, the interest lies not only in wants as related to particular goods or services offered, but also as to the house from which those goods are to be purchased, or other conditions surrounding the proposition. Both consumers and middlemen, in purchasing, will give weight to certain factors which are not directly connected with the goods themselves, but which

¹ Watson, Herbert, *The Knack of Selling*, A. W. Shaw Company, Chicago, Vol. I, p. 5. In bringing out the point "Why does the grocer buy a barrel of molasses?" "Because he expects to sell it at a profit." "The gain of money." But the desire of the grocer for money may be to make a profit so he can better take care of his family. Again the question is asked, "Why does the young man buy a diamond stickpin?" "To attract attention." "Satisfaction of pride." But the reason the young man wants to attract attention to himself may be traced, and would be traced by some psychologists to the instinct of sex.

relate either to past experience with the seller or to the problem of continued future relations.¹

DETERMINING THE RELATIONSHIP OF THE PROSPECTIVE
BUYER'S WANTS TO THE SALES PROPOSITION

The study of buyers' wants in general may be used more directly in advertising than in personal selling. In personal selling it is necessary to go farther into the analysis of wants, to determine the wants of the particular buyer who may or may not desire to satisfy his wants by the action which is common in the group. That implies that the salesman must, therefore, appeal effectively to a particular buyer's wants; he must know about the buyer's wants and the relationship of the proposition which he is offering to the wants of that buyer. The salesman's ideas concerning the wants of a particular buyer, to which effective appeal may be made, are formed in various ways:

1. The salesman uses his imagination. Figuratively, he places himself in the position of the buyer, and determines what his wants would be and how they can be stimulated to result in buying action. The accuracy of this method will depend upon the salesman's habits of mind and the extent of his past experience with buyers and sellers.

2. The salesman draws upon his past experience in similar situations and concludes that the wants of the particular buyer are similar to those of some other buyer as modified by such differences in circumstances as he observes.

3. The salesman secures facts and opinions about buyers' wants in general for the goods or services offered. Such facts are collected on the basis of past experience and observation by the sales department and all the other sources of market information.

¹ These are called by Copeland "patronage motives" and confined to industrial goods. While it is true that they are rational motives, the reliability of retail houses has a distinct influence on the purchasing policy of many customers. "Patronage" need not therefore be confined to industrial goods.

4. The salesman secures, through inquiry, facts and opinions as to the particular buyer; sometimes with the help of data furnished by his sales department, or others.

5. Lastly in the interview, the salesman attempts both to determine the wants of the buyer and the methods of presenting his proposition as a means of satisfying those wants. He sizes up the buyer.

The exercise of imagination on the part of the salesman is the easiest and least time-consuming of all the means of forming opinions concerning the wants of particular buyers. But it is also the most dangerous to use until it has been thoroughly tested. It is highly useful to the man who knows that he can place himself in the buyer's place and can understand his buyer's wants and the way in which the buyer secures or desires to secure satisfaction of those wants. For the most part, even the salesmen who are best able to imagine themselves in the place of the buyer increase their accuracy by past experience and by their knowledge of buyer's wants and of the sales proposition.

The past experience of the salesman is most valuable in determining the wants of the buyers. Within limits he knows, or can learn from experience, which wants are satisfied by his proposition, and how the sales transaction may be consummated. Too many salesmen do not study their past sales efforts to determine the points of weakness and strength in order to draw inferences as to buyers' wants and the means of satisfying them.

A knowledge of the market, of buyers' wants and buying habits in general, is likewise valuable to the salesman, but there is relatively so little information available on buyers' wants which is in usable form for the salesman that unless his house or some other agency has made a special study and compilation of experience, little help is to be expected. However, the study of buying wants and buying motives in relation to particular goods or services will be of assistance in furnishing a basis for preparation for interviews, but are

not helpful in furnishing a basis for selecting knowledge to apply to the individual buyer.

Inquiry about and study of the particular buyer, his disposition, temper and temperament, and attitudes, in advance of the interview, are of much more specific help to the salesman. The experiences and opinions of other salesmen, of employees, of others who know the prospective buyer, may furnish a very good background with which to determine not only the buyer's wants, but the attendant circumstances which would affect the buying response to a sales proposition offered by the salesman.

Lastly, in the interview itself, the salesman, as well as every other person who comes in contact with another human being, consciously or unconsciously sizes up that other person. The person with whom one comes in contact gives a certain impression, and the results of these impressions may be pleasant or unpleasant, accurate or very inaccurate, depending upon the experience and judgment of the person who receives those impressions. We judge others to some extent by appearance, voice, gesture, gait, attitude. We judge people by dress. Sometimes we judge them by their facial characteristics or other evidences. For the interview such judgment is necessary and is actually arrived at, but it is largely accurate according to the completeness of the knowledge of the buyer secured prior to the interview. Attempts have been made for many scores of years to develop some easy method of sizing up the customer, but all have been unsuccessful. There are many men who, through numerous contacts and through careful study of human nature, have learned to size up those with whom they come in contact much more accurately than others, but there is no semi-mechanical means which will take the place of judgment and experience in sizing up men.

Psychologists and other students of human nature point out that some dependence can be placed upon general impressions given through voice, gesture, gait, attitude, dress, brief conversation, but little or no credence can be

given to systems which are based on differences of biological characteristics, or a relationship between those characteristics and the skull and head markings, or to hair color, skin color and texture, shape and size of nose, mouth, hands, fingers, and so forth. These various methods will be taken up for further discussion.

There is scientific justification for forming impressions from the attitudes and actions of men with whom we come in contact. Attitudes and complex mental processes which represent reactions to certain states of conditions tend to become habitual and stereotyped. A man may have motor attitudes which make up what is called skill. His moral character is determined largely by his social attitudes. Character is made up of a large number of these attitudes, and since some of these attitudes have their effect upon bodily conformations, there may be left, in the course of time, some outward indication of a mental attitude. The man with the habitual sneer, the man who is always smiling, can be distinguished at a glance as having certain mental characteristics.

But the human being is much too complex a psychological being to allow one to place much trust in being able to size up a person on the basis of occasional traces left by habitual attitudes of mind on bodily features. To predict a man's behavior one must know accurately his particular disposition, his temperament, and his moods, in addition to having knowledge of the behavior called forth normally as a result of instinctive tendencies modified by thought. Disposition is the "sum total of a man's instinctive tendencies." Individuals may be lacking one or more of the instincts, while instincts are found in varying degrees of strength in different individuals. When one instinctive tendency is strong, it tends to characterize the individual's disposition; for instance, McDougall gives in the list on the following page the adjective commonly used to denote the kind of disposition characterized by the excessive strength of that tendency.

INSTINCTIVE IMPULSE	DISPOSITION
Impulse of Anger	Irascible or pugnacious
Impulse of Curiosity	Curious, inquisitive, or inquiring
Impulse of Fear	Timid, cautious, or fearful
Impulse of Reproduction	Lustful or amorous
Impulse of Food-seeking	Gluttonous or greedy
Impulse of Self-assertion	Vain, proud, conceited, showy, or ambitious
Impulse of Submission	Humble, meek, submissive, or docile
Impulse of Gregariousness	Sociable
Impulse of Repulsion	Fastidious or dainty
Impulse of Acquisition	Acquisitive, miserly, or thrifty
Impulse of Laughter	Merry, gay
Impulse of Distress	Complaining, tearful, or dependent ¹

Men differ also in temper, that is, in the way these instinctive impulses work in them. In the first place, men differ as to the extent to which the response to their impulses can be changed by pleasure or pain. Men differ widely in the second place, in the strength or urgency of their impulses. Strong impulses are characteristic of the fiery, energetic, impatient man; the placid, sluggish, and patient man has weaker impulses. In the third place, men differ as to the persistency of impulses; some men are inclined to stick to a proposition, others become indifferent or quickly forget it.²

Without going into detail, a man's temperament may be considered mainly as the resultant of the effects upon his mental life of chemical changes in the tissues of his body, particularly the glands; profound effects can and are being so produced. The temperament is the result of many factors. Since temperaments are the resultants of so many diverse factors, it necessarily follows that the varieties of temperament are innumerable, and that the temperament of any man cannot be adequately characterized by one or a few adjectives. And, in fact, the terminology is here most inadequate. There are only a few appropriate terms, which partially characterize certain types of temperament, adjectives such as buoyant, quick, slow, nervous, active, excit-

¹ McDougall, *Outline of Psychology*, Charles Scribner's Sons, New York, 1923, p. 352.

² *Ibid.*, p. 353.

able, sluggish, melancholic, stable, and especially introvert and extrovert.¹

Disposition, temper, and temperament are the raw materials of personality provided by heredity. From them character is built, under the touch of experience and the guidance of increasing knowledge and intelligence. Throughout mental development, and, in fact, throughout life, they reciprocally influence one another.

And in addition to all the factors mentioned, which affect personality and character, there are those forces of a higher nature which have not yet been satisfactorily explained upon any mechanistic basis nor any other basis than that of the existence of a higher power.

This discussion of disposition, temper, and temperament has been included for two purposes:

1. To demonstrate the fact that human character and human personality are very complex; that the man who claims an easy and sure way of reading character absolutely cannot fulfil his claims. When are added the various "moods," complexity is increased.

2. To indicate at least one of the view-points of scientific psychologists upon a question which is of vital concern to the salesman in handling the sale and to the sales manager in selecting his salesmen.

The use of so-called character analysis based upon biological characteristics is more wide-spread than any other system which purports to furnish easy methods of sizing up the customer.² One of the chief exponents of this plan states that there are nine physical variables, bases for judging character; namely, color, form, size, structure, texture, consistency, proportion, expression, and condition. Each of the so-called nine physical variables is easily observa-

¹ McDougall, *op. cit.*, p. 354.

² As an application of the utterly unsound and unscientific basis for sizing up prospects in personal selling, one writer states: "Everything in nature is vibrating, from a very low rate as in stones, metals, and so forth, to a very high rate as in the delicate petals of a rose. Each individual, man or woman, has a definite and distinct rate of vibration. This rate of vibration

ble. Any system which enables one to judge character on such a basis would be very much worth while if it were accurate. The value of any such system depends upon the analysis of the characteristics which are assigned to the individual physical variable.¹ Experiments have been made to test the truth of the sweeping assertions of character analysis. These tests have not revealed any perceptible differences in qualifications which make for success of particular individuals. Neither have they shown that the normal blonde is any more positive, dynamic, driving, or dominating than the normal brunette. Likewise, as to the second fundamental variable, studies of the form of the head in particular have shown no essential correlation between the size of a person or markings in the head and individual characteristics. Other characteristics have been tested with like results.² What is given here is sufficient to indicate the unreliability of any such method.

While such plans are put up in a very plausible manner, it must always be noticed that the reasoning is based upon insufficient premises. There is no attempt to take a statistically fair sample of a population to determine whether such correlation between positiveness and blondness exists as is stated. Customarily, they point to selected personages known to have given qualities in order to prove the *a priori* assertions which they so often make. It is known that

can be changed temporarily at will by the individual, if he or she understands the law pertaining to the rate of vibration. When meeting your prospect, it will be of great value to find out his rate of vibration, and immediately adjust your rate of vibration so that it will harmonize with his." The rate of vibration depends upon whether the prospect falls with "the four primary classes of light, dark, the quick, the slow." The "light" type is vibrating at a higher rate of speed. From Taylor, Wilson M., *The Science of Approach*, chap. i, Wilson & Taylor, Inc., New York, 1920.

¹ Blackford, Katherine, *Character Analysis by the Observational Method*, Henry Alden, Inc., New York, 1918.

² Laird, D. A., *The Psychology of Selecting Men*, McGraw-Hill, New York, 1925, p. 116.

Dunlap, Knight, *Fact and Fable in Character Analysis*, *The Annals*, Nov., 1923, p. 74.

Watson, J. B., *Psychology from the Standpoint of the Behaviorist*, Lippincott, Philadelphia, 1919, p. 405.

lawyers, business men, historians, mathematicians, and half-wits have and show the same types of bodily characteristics. Any salesman who attempts to depend upon a mechanical method of judging the characteristics of a customer with whom he comes in contact is bound to be disappointed. However, it is possible for one to improve his judgment through the observation of attitudes, careful observation of facial expressions aroused by statements of the salesman, and by other indications, so that the representative accuracy is much greater than it would be for the man who is a slipshod observer and who takes no pains to see whether the impression which he creates is favorable or unfavorable.

To some extent the systems which are advertised as aiding in the determination of personality are reincarnations of the old and discredited phrenology. The consensus of opinion among psychologists and among anatomists is that there can be no correlation between bumps on the head and the existence of particular characteristics. Since thought is a complicated mental process requiring or involving impressions and ideas stored in various parts of the brain, since human behavior is likewise very complex, it is clearly impossible to state that any particular characteristic is confined to one portion of the brain.¹ Under the guise of phrenology, character analysis is entirely discarded. Under the high sounding name of character analysis, business men are paying thousands of dollars annually to those whom psychologists have called charlatans.

From the view-point of personal selling, then, the results of this discussion of determining the buyer's wants have developed the propositions listed on the opposite page.

¹ The theory is that one can tell the mental characteristics of an individual from the study of the conformation of his cranium. The cranium may give some slight indications of the brain it encloses. But these indications are, at best, crude and are likely to be misleading. While the cranium may not give clues to possession of characteristics, there is apparently some central localization of sense-motor areas, such as visual center, auditory center, or some esthetic or bodily sensation—different parts for different parts of the body. The rest consists of association centers in various parts, such as frontal association area and parietal association area.

1. That to some extent, the wants and behavior of the buyer can be judged before the interview upon the basis of knowledge and experience with other buyers.

2. The wants and behavior of a particular buyer may only inaccurately be predicted on the basis of first contact.

3. There is no easy or royal road to determining what the buyer's wants are in relation to a sales proposition or how he wishes those wants satisfied.

4. The salesman, in the absence of knowledge which would change his plan of selling, should adopt that plan which has been found to be successful in selling to the majority of buyers in the class.

PRESENTING THE PROPOSITION TO THE BUYER

In his presentation of the proposition to the buyer as a means of bringing about the satisfaction of the wants of the buyer, the salesman must take account of several different groups of facts from the psychological point of view:

1. The types of mental experiences which the buyer has and the way in which they terminate in action. These mental experiences cover a large part of the subject-matter of modern psychology, and they can be only mentioned here. Included here as types of mental experiences are perceptions, images, feelings, emotions, and sentiments, as well as thought. All of these are based upon sensations, and terminate in forms of instinctive acts, unless there are conflicting experiences or unless modified or changed by thought or habit.

2. Methods of initiating these mental experiences so as to result in the buying action unless inhibited or prevented. Psychologically, there are two ways in which the seller may initiate the buying action; first, by suggestion; second, by reason.

3. The various factors which tend to influence the buyer's final action in relation to a buying impulse. The buying impulse may not eventuate in action in a particular case

because the anticipated satisfaction of the want through purchase is less than through some other buying action, either from other sellers or for other goods. Or there may be favorable or unfavorable factors over which the salesman has no control, but which affect the buyer's response to the sales proposition. The moods and the attitudes, temperament and disposition of the buyer himself, previous experience, physical condition, must be considered.

4. Entirely apart from the sales proposition, the manner and personality of the salesman may affect the buyer's receptiveness to suggestion, or his willingness to consider the acceptance of a particular proposition which the salesman is presenting.

Every stimulus which a person receives internally from internal or external sources tends in the end to bring about some response. These stimuli are made up of impressions or sensations received through the receptors of the nervous system and are combined into various types of mental experiences:

1. Perceptions are composed of large numbers of sensations derived from external sources and which show us the objects and the events in the world around us. Perceptions are reproduced in the form of ideas.

2. Images are groups of elementary ideas based upon past sensations combined into a mental experience. These images may be the reproduction of some former experience, which constitutes memory; of something which never happened in one's mental experience, which constitutes imagination; or of what is to happen in mental experience or anticipation.

3. Feelings, sentiments, and emotions. In all of these internal sensations, sensations connected with the bodily organism are prominent. "Feelings consist almost wholly of (1) organic sensations; that is, sensations from the internal organs of digestion, respiration, reproduction, cir-

culation, and other bodily processes; (2) pain sensations; (3) general feeling tone and general sensibility."¹

Emotions differ primarily in the fact that sensations which are derived from the motor senses are prominent. Feeling and bodily action are combined in emotion. The bodily attitudes accompanying hate, fear, and other emotions are familiar to even the casual observer. When, in the popular phrase, a person registers an emotional state, he assumes the bodily attitude which accompanies, and is a part of, that emotion.

Sentiments combine feelings with ideas. While they are not as important in mental life as feelings and emotions, the sentiment of belief is the most important.

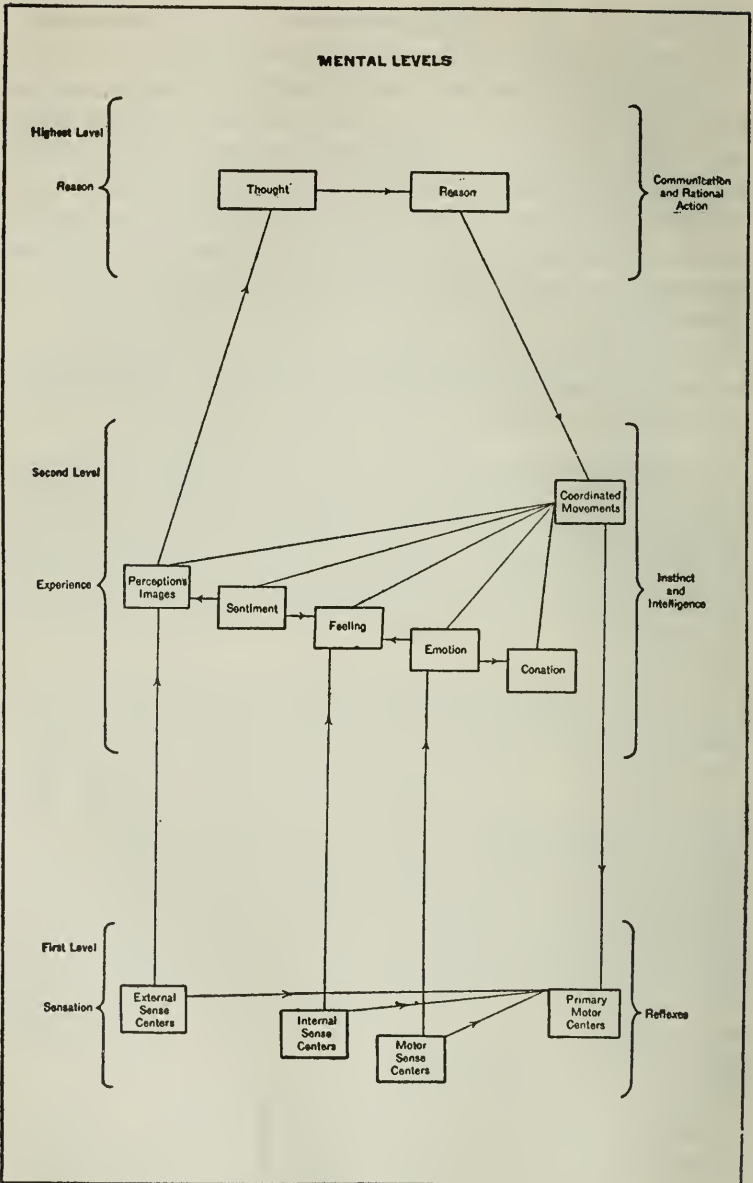
4. Volitions are complex experiences based on the apparent fact that sensations from internal and external sources may be combined with ideas already in the mind of a person, resulting in an action which corresponds not only to the nature of the sensations received at the time, but also corresponding to the memory traces of former acts and experiences.²

5. If we consider sensations as the first level and lowest level of mental experience, we may classify those perceptions, images, feelings, sentiments, emotions, and volitions as constituting a second level of experience. Thought then occurs on the highest level as the highest level.³ All of the mental experiences outlined are important for the purposes of analysis of personal selling because they are the experiences which result in human action; therefore, the types of experience which result in the buying action. The relationship of these various experiences to each other and to action is shown in Figure 1, adapted from a chart given by Professor Warren.

¹ Warren, H. C., *Elements of Human Psychology*, p. 203.

² Conations are omitted as unimportant for this discussion.

³ This discussion of mental processes is based primarily on Warren, *Elements of Human Psychology*, Houghton, Mifflin, 1922, to which the reader is referred. Warren seems to occupy a middle ground among psychologists.



Adapted from Warren, H. C., *Human Psychology*, p. 803.

Figure 1: Levels of mental experiences.

The buying act may, therefore, possibly result directly from perceptions, images, sentiments, feelings, or emotions; but usually in the more intelligent, some thought and some reason precede the final decision. In the conflict of impulses to act, furnished by the various mental experiences, the decision to buy is frequently taken as the direct result of emotion or feeling.

SUGGESTION AND REASON AS METHODS OF PRESENTING THE PROPOSITION TO THE BUYER

There are two methods of presenting the proposition to the buyer so that he receives the mental experiences which must precede buying action. The first is suggestion, which generally relates to, and brings about, action following immediately the second level of mental activity; the second is reason (or deliberation or argument).

Suggestion. The term suggestion is usually applied to the uncritical acceptance of an idea coming from another person. Suggestion has been defined as the "entrance into the mind from without of an idea or image which is accepted uncritically, and which tends to produce the volitional and muscular activity which ordinarily follows the presence of such an idea or image in the mind."¹

It seems fairly clear that when ideas get into the mind by this indirect method, from an external source, the tendency is to react in the same way as at all other times when the same idea comes into the mind. The forcefulness of a suggestion and its inducement to action varies widely according to the source and conditions surrounding the person upon whom the suggestion is being made. The degree of suggestibility of the person depends upon a number of factors, some of which may be mentioned as: the lack of

¹ McDougall defines suggestion as follows: "Suggestion is the process of communication resulting in the acceptance with conviction of the communicated proposition in the absence of logically adequate grounds for its acceptance"; *Social Psychology*, p. 100.

knowledge or conviction of the person relating to the topics in regard to which the suggestion is made, the character of the source from which the suggestion comes, and the peculiarities of the person about whom the suggestion is being tried.

It seems clear that suggestion is stronger when the source is indirect, when it seems to arise spontaneously within the mind of the individual and not to come from another. The prestige and impressive character of the source of suggestion are great factors in determining the strength of the suggestion, and repetition of a suggestion makes it more powerful.

Positive suggestion is more effective in inducing desired action than negative suggestion. In the use of suggestions, one must be careful not to use those which tend to inhibit action. The mention of higher prices may give negative suggestions which go far toward counteracting a positive suggestion previously made.

The force of suggestion is frequently underestimated, while the force of reason and logic is similarly overestimated. If one reflects that through suggestion one can effect an entrance of ideas which will evoke instinctive responses which are the most important forms of human action, one gets a clearer picture of the great possibilities of suggestion. Suggestion as a method may be carried to an extreme, and may be used where reason or thought should be used. Nevertheless, a suggestion may be the most effective means to induce action and to remove obstructions to action at the conclusion of a sales presentation.

The wisdom of using suggestion as an aid in presenting a sales proposition both for tangible products and intangible services depends to a great extent upon their individual nature and characteristics. In practice, suggestion is seldom used to the complete exclusion of reason, just as reason is possibly never used without suggestion. Nevertheless, the more legitimate use the salesman makes of this indirect method, the quicker he will effect his sale, and the more time he will save. While there is probably no product which

cannot be sold in isolated cases by means of suggestion, those classified in the following groups¹ can be most effectively sold by this method:

1. Convenience goods, those goods which a consumer will not go out of his way to purchase;
2. Repeat goods, for which there are subsequent purchases at rather regular intervals;
3. Low-priced goods, which satisfy a minor want;
4. Luxury goods, which can be sold through appeals other than utility;
5. Gift goods, including both those which are primarily sold for gifts, as well as those which are only occasionally sold for that purpose;
6. Delayed-purchase goods, for which recognition value or good-will is the immediate object of the sales presentation.

Reason. The second process of assisting the buyer to initiate and carry out the buying impulse is that of thought and its highest form, reason. Psychologists are agreed that the sequence of steps in the thinking process is as follows:²

1. A felt difficulty;
2. Location of the difficulty;
3. Search for a solution;
4. Experimentation with solutions;
5. Conclusion, which, of course, is followed by action.

From the view-point of the buyer, the sequence in considering a sales proposition would be:

1. A want of which he was conscious;
2. Determination of the exact nature of the want;
3. The search for means of satisfying that want;
4. Mental experimentations with various means of satisfying that want;
5. Conclusions that his want could best be satisfied either by accepting or rejecting a particular sales proposition.

¹The classification is suggested by Wilford L. White.

²Dewey, John, *How We Think*, D. C. Heath, Boston, 1910, p. 72.

From the view-point of the seller, the steps to be taken in bringing about the sale through reason are:

1. Making the buyer conscious of his want;
2. Helping him to determine the exact nature of that want;
3. Offering the appropriate goods or services to satisfy that want;
4. Demonstrating to the buyer that the sales proposition satisfactorily fills the want.

Throughout the process, opposing ideas must be removed. Although reason is not used in effecting sales as much as many would imagine, that it is being used more and more in satisfying wants is evidenced by the higher type of personal selling which is needed today as compared with that common 50 years ago. Reason can be used to greatest advantage in presenting the advantages of purchasing any of the goods which can be included in the following groups:

1. Shopping goods,¹ for which a prospective buyer will "shop around";
2. Specialty goods, for which there is little or no repeat demand;
3. High-price goods, which call for a large initial payment;
4. Industrial goods, for which certain specifications are commonly established by the prospective purchaser in advance;
5. New goods, which are being introduced upon the market;
6. Immediate purchase goods, where immediate buying action is highly desirable.

OTHER PSYCHOLOGICAL FACTORS AFFECTING THE PURCHASE-BUYING ACTION

Even though the salesman has introduced the images and perceptions, and given the sensations by his presentation of the proposition which should terminate in buying action,

¹"Goods" refers here both to tangible products and intangible services.

there are many possibilities that buying action may not take place as desired by the seller, due to the presence of inhibiting perceptions, feelings, emotions, sentiments, and images. These may be grouped into two chief divisions having to do with the origin of the inhibitions:

1. There are those experiences of the buyer which tend to check the buying action. His past experience, his present feelings and emotions, and many other factors which are alluded to elsewhere.¹ The buyer may have very recently had an unpleasant experience. He may have received an unpleasant suggestion from the salesman who is trying either to make a negative suggestion or a suggestion which brings with it an unpleasant feeling. He may recall dissatisfaction experienced with former purchases. It is obvious that in so far as the salesman is able to remove these inhibiting factors, the mental field is cleared for buying action.

2. There are the impressions which the buyer receives from the salesman which are not related to the selling proposition directly. These impressions may tend either to attract attention away from the selling proposition or to permit the buyer to attend to the proposition offered with a pleasing feeling. They may cause immediate good feeling and receptiveness on the part of the buyer to further impressions regarding the proposition, or they may, on the contrary, antagonize the prospective buyer and cause him to refuse or to be disinclined to allow himself to receive favorable impressions. These impressions are received from the salesman's personality and conduct.

PERSONALITY: ITS PSYCHOLOGY AND ITS RELATIONSHIP
TO THE SELLING PROCESS

For the purposes of the study of salesmanship, personality may be understood to include the sum total of man's actions and reactions, his attitudes, habits, characteristics,

¹ See footnote, page 95.

manners, and mannerisms—his entire mental organization.¹ The complexity of personality cannot be overemphasized from a view-point of personal selling, because the realization of its complexity tends to make one more careful in passing judgment. The salesman is interested both in his own personality and in the personality of those with whom he comes in contact.

The resultant of the impressions which one person receives as to the personality of another may be pleasing, indifferent, or displeasing. In these discussions emphasis is placed upon the impressions given and received both by buyer and seller, since in personal selling the salesman is interested in giving pleasing impressions through his appearance and actions, and he is interested in determining the type of personality and personal reactions of the buyer to whom he is trying to make the sale. The impressions given and received may be traced to (1) the personal appearance of the salesman and the buyer, (2) conduct or manner. A

¹ Watson, J. B., in his *Psychology from the Standpoint of the Behaviorist*, Lippincott, Philadelphia, 1919, p. 397, defines personality as follows: "Let us mean by the term personality an individual's total assets (actual and potential) and liabilities (actual and potential) on the reaction side. By assets we mean, first, the total mass of organized habits; the socialized and regulated instincts; the socialized and tempered emotions; and the combinations and interrelations among these; and second, high coefficients both of plasticity (capability of new habit formation or altering of old) and of retention (readiness of implanted habits to function after disuse). Looked at in another way, assets are that part of the individual's equipment which make for his adjustment and balance in his present environment and for readjustment if the environment changes.

"By liabilities we mean similarly that part of the individual's equipment which does not work in the present environment and the potential or possible factors which would prevent his rising to meet a changed environment. In more detail, we mean that we can enumerate the reasons for his present lack of adjustment in such terms as insufficiency of habits, lack of social instincts (instinct not modified by habit), violence of emotion or insufficiency or lack of emotion, and that we can infer that with his present equipment and plasticity, the individual cannot make a satisfactory adjustment either to his present environment or possibly to any other environment. In case his potential assets are sufficient, we can enumerate and begin the inculcation of those factors which will make for his adjustment."

Warren defines personality or self as the total outcome of an individual's mental organization, comprising all his permanent mental conditions and organized experiences, at any period of life—*Elements of Human Psychology*, Houghton, Mifflin, pp. 360 ff.

pleasing first impression may be modified, or a displeasing first impression may be modified in subsequent contacts. The personal appearance of the salesman may make a good impression or it may make the opposite sort of impression. The impression which the buyer receives is the result, in part, of the way in which the salesman is dressed. The salesman who is slovenly in his habits, who is not clean, is operating under a handicap, although that handicap may not be insuperable. The impression may not weigh heavily against him, but it is nevertheless a fact. On the other hand, the overdressed man may attract attention to his clothes, while the object of the salesman's visit is to interest the buyer in the proposition he has to make. The impression which the salesman should aim to give the buyer through his personal appearance is one that will make the buyer feel that the salesman is so dressed because he respects himself and expects others to respect him. Furthermore, there is the important fact that the salesman who knows he is properly dressed is frequently more at ease and can present his proposition without the distracting influence of being conscious of personal appearance.

As far as features are concerned, there can be no doubt that personal beauty and pleasing personality do not necessarily go together. Personality is so complex that personal beauty or ugliness is merely a factor, and by no means a determining one. The relationship between mental qualities and personal features is made the subject of a great deal of comment and psychological hokum, but scientific study as yet has yielded no evidence that would give any salesman or any other person warrant for believing that the presence or absence of personal beauty or the presence or absence of certain bumps on his head or other physical characteristics would either make him fitted or unfitted for personal selling.

One is upon more secure ground when he asserts that impressions which buyer and seller receive from personality are in part explained by manners, gestures, attitudes, hab-

its, and behavior, all of which depend upon the psychological equipment of a man.

Manners more than the others are the result of training, of definite habit forms. Good manners indicate that a person has acquired certain habits which are pleasing in social contacts; the ill-mannered person has acquired the opposite. But given the same training and environment, two persons may possess manners of widely different degrees of pleasingness, because in the one they reflect faithfully the genuine desire to please; in the other they may not. Courteous behavior may be the result of certain acquired habits, but the motive behind the acquisition may be, not that of wishing to be thought well of or of making a good impression because one is gregarious or socially inclined, but because one may have convinced himself that in society as it is, the cultivation of a pleasing manner is an asset, a means of obtaining other satisfactions which in themselves may be anti-social.

Courteous behavior, the essence of good manners, rests on the same fundamentals, no matter what the environment. But the detailed manifestations of good manners, of courtesy, may vary widely from place to place. It requires no supporting argument to assert that the salesman whose manners might be considered courteous among his personal friends (the manners of a desirable companion and associate) might be considered ill-mannered or discourteous in another group. The standards by which one judges pleasingness or the reverse vary. The salesman who might be successful in the foreign quarter of a city might make a much different impression in the fashionable residence section. A successful salesman in metropolitan New York might not be successful in the Southwest, although he worked just as hard and faithfully in the one place as the other. Why? The salesman in each case has acquired a manner and has a personality which makes pleasing impressions upon his group. It is true that many other factors might account for differences, but it must be admitted that

a suitable and pleasing manner will help a salesman to make sales, just as it will help men in any walk of life to influence their fellow men.

It may be argued that an excellent personality will make a good impression anywhere. But that assumes that all those with whom he comes in contact with will react to the same qualities in the same degree. One needs but to recall the differences concerning persons of one's acquaintance, the differences in appraisal of personality when psychological ratings have been made, to understand the weakness of this argument.

To make a good impression at the outset is the advantage of good personality. And yet the continuance in the buyer's mind of the good impressions is dependent upon other factors. Pleasing personality without character, without other desirable qualities, tends to aggravate a dislike which will spring up when these other undesirable qualities are discovered or when it is discovered that promises are not kept.

The possession of a good personality is undoubtedly a valuable asset for a salesman; the possession of a poor personality a handicap. But there are many successful salesmen who possess few of the outward evidences of good personality; and there are many unsuccessful salesmen who make a very pleasing first impression, who apparently have good personalities. The salesman who can create a pleasing first impression has an advantage which will assist him in making sales.

In the making of sales the relative importance of personality depends upon:

1. The amount and type of selling effort needed to dispose of the product or to establish a selling connection. Personality of the type which immediately makes a pleasing impression is much more of a factor in sales which are necessarily consummated at the first call than where repeat calls are necessary. First impressions may be supplanted

by others. For a complex technical product, which requires technical knowledge and skill, good personality is, of course, desirable but less necessary than other qualities.

2. Where wants are to be satisfied by action based on perceptions, feelings, sentiments, and emotions (not thought or reason), it is probable that personality plays a larger part than where reasoning on the part of the buyer enters. While habit may cause a buyer to overlook a poor personality, the business may be transferred by the buyer to one with good personality, other things being equal. Yet most human action is to a profound extent influenced by feelings and emotions. In conclusion, therefore, it is more satisfactory to say that, given a man of good character and straightforward tendencies, there exists a very definite possibility of creating a displeasing impression because of faulty manners, awkward approach, or other matters of important detail. As a consequence of this fact, some of the most successful salesmen, in attempting to teach salesmanship, have laid very great stress upon the proper method of greeting a customer, the development of a pleasing smile, the elimination of awkward gestures, and the fundamentals of courteous behavior. In so far as such teachers lay the stress upon these merely as the background for making a pleasing impression upon the customer by way of removing the handicap caused by poor approach, these teachings have their value; but in so far as it is claimed that these are the end of salesmanship rather than the beginning, they are distinctly at fault.

However one may regard this, straight thinking with regard to salesmanship will indicate the necessity of being able to approach the customer on a level which will make one, at least as far as that business contact is concerned, the social equal of the prospective buyer. Without this feeling it is difficult to instill the feeling of confidence which is necessary in order to furnish the basis for presenting the sales proposition satisfactorily. Furthermore, the man who

does not create a good impression and is ill at ease cannot continue the interview, if he secures it, and does not often make sales, even if he can force the prospect to concentrate upon the business in hand.

KNOWLEDGE OF THE SALES PROPOSITION AS A BASIS FOR SELLING

Amount of knowledge necessary. Analytical outline of the sales proposition. Knowledge of the product. Prices, terms of sale, and other conditions of the sales offer. The seller. Competition. The industry. Sources of knowledge of the sales proposition. Using knowledge of the product.

SUCCESSFUL selling presupposes knowledge of the goods and terms of sales, knowledge of the market, and the effective presentation of the sales proposition to the market. It seems obvious that the salesman should know what he is selling, but every one has had experiences (particularly in retail contacts) with salespersons who did not know the products they were selling sufficiently well to enable the buyer to determine whether or not he wished to purchase. It is also obvious that the amount of knowledge required to know the sales proposition or to know what is being sold varies widely. The knowledge for most effective performance of selling work will depend upon (1) simplicity or complexity of the product; (2) variety of products sold; (3) the type of buyer; and (4) the nature of the conditions under which the product is sold.

As to the first, the salesman for an X-ray apparatus is compelled to know a great deal more in order to present his product effectively to physicians or others who use X-ray machines than is the salesman who is selling a popular brand of soap. The salesman who sells ventilating apparatus, which must be adapted to each purchaser, must know a good deal more in order to present his product effectively than must the salesman who is selling a staple product which has been on the market for some time, is fully standardized, and whose quality can be easily measured by the purchaser.

The man who is engaged in selling concrete buildings on the basis of specifications needs to have much more knowledge of building construction than does the man who is selling a single simple article.

The amount of knowledge needed for effective selling depends, in the second place, upon the variety of products sold. The salesmen of a rubber manufacturer, who sell rubber footwear, rubber belting for mechanical uses, and druggists' sundries, are compelled to have a wider range of knowledge than are the salesmen of a competitor who may be using three groups of salesmen to each of which is assigned the duty of selling one line. In fact, one of the prime reasons for using several groups of salesmen in the same company, specializing according to products, is the difficulty which the salesman experiences in becoming sufficiently familiar with the varied products to sell them effectively.¹

The third factor determining the amount of knowledge needed is the type of buyer. It may be stated as a general proposition that the higher the type of buyer, the greater the need for thorough knowledge on the part of the salesmen. The need is not great for standardized products. The thorough knowledge possessed by the purchasing agent, or buyer, may apparently reduce the need for knowledge on the part of the salesman. On the other hand, thorough knowledge on the part of the buyer places him in a superior position in bargaining if the seller does not have a clear understanding of the products or services which he is sell-

¹Recognition of the desirability of specialized selling, based upon the nature of the product, has led many automobile agencies to employ different men to sell new and used cars. Specialty salesmen are common in the dry-goods trade. General salesmen are used to selling the main line, but it is customary to use men with a specialized knowledge of certain products who duplicate the routes of the general salesmen but who handle, possibly, nothing but hosiery or men's shirts. One large packing-house has specialized its sales department, with different salesmen handling butterine, fertilizer, produce, canned goods, and so on. The sales department of a company manufacturing fabricated steel products is divided into four divisions, according to a classification of its products. One manufacturer of silverware operates an eastern branch upon the same basis with one salesman handling sterling; another, plated hollowware; one, plated flat ware; and a fourth, kitchen utensils.

ing. The buyer for the department store, the chain-store buyer, or the purchasing agent for the large manufacturer, specializes in buying particular types of products. He knows, or should know, the desirable qualifications of those products and the methods of ascertaining the presence or absence of those qualifications. He should know market conditions. In effecting economic exchanges between buyer and seller, where the buyer knows the market, there can be no valid argument for the seller's weakening his position by ignorance of his product or his market.

Lastly, the salesman's task of acquiring knowledge concerning the sales proposition will vary in difficulty with the simplicity or complexity of prices, terms, and other conditions of sale. In some lines, quoting of prices requires expert knowledge; for example, in lines where prices are set according to complicated schedules of discounts or where prices are the result of estimates for products which must be adapted to the needs of each purchaser. For instance, the knowledge and skill required to quote a price upon fiber-board boxes which must be shaped to fit the requirements of each manufacturer, is far greater than that required by the grocery wholesaler's salesman to quote a price upon a case of breakfast food. The understanding of the terms of contracts which may be used in the sale of steel, canned goods, or other products, or of the agency contracts which are used in granting agencies similar to those in the automobile or insurance business imposes larger requirements upon the sales representative than does the knowledge of terms and conditions required of the retail salesperson.

It is important to determine the type of knowledge needed about a product. It is clearly more important to know how a product can serve the needs of prospective buyers than it is to know the detailed internal construction of the product. Knowledge of its use is more important than knowledge of its manufacture. To go back to the fundamental proposition that a sale takes place only when both parties are benefited, it becomes clear that the buyer will

decide to purchase only when he is convinced that he secured more utilities, more satisfactions, from purchasing than from not purchasing. He is interested in knowing how the product can serve his needs. He may ask about construction, about materials, but he is asking as a means of determining both the present and future utility of the product to him. It is more important to know how a dictating machine can be used to cut office costs than to know its construction; or to know how a cash register can be used to fit into a system of internal control in a retail store than it is to know the internal construction of the machine. It is more important to know how a merchant may resell a new gelatin at a profit than to know its exact chemical composition. To know how the camera can serve the buyer or how the camera business can produce a profit for the dealer is of greater value to the salesman than to know the underlying laws regarding the infraction of light or the chemical reactions of light upon a gelatin plate sensitized with nitrate of silver. It is, therefore, sound economically to emphasize knowledge of use; it reduces the sales resistance, because it makes it easier to buy. While the knowledge of details of construction, chemical composition, and design is not to be emphasized, however, it is valuable when properly used. Much of such knowledge cannot be used directly in selling. Indirectly, in so far as these facts affect the usefulness to the buyer, they may be indispensable. That the need of such knowledge is admitted by employers is shown by the practice of many manufacturers in taking from the factory their candidates for sales positions or taking men who do not know the product thoroughly and putting them through a course of training in the factory or elsewhere, so that this knowledge is acquired by them. But this phase of the sales proposition can be overemphasized, especially by a technically trained salesman.

The type of knowledge which employers wish their salesmen to possess with regard to the sales propositions they are presenting is only partially and inadequately reflected

by the contents of sales manuals which are furnished some salesmen by their manufacturers.¹

ANALYTICAL OUTLINE OF THE SALES PROPOSITION

I. THE PRODUCT OR SERVICE OFFERED FOR SALE

A. Nature

1. Type of commodity or service
2. Materials for manufacture, equipment, or merchandise for large-scale consumption, or for individual or household consumption
3. Tangible or intangible products
4. Simple or complex
5. Durable or perishable
6. Unique or common

¹See Appendix A for analysis of sales manuals.

The sales manual prepared for the salesmen of the tractor division of a large manufacturer of farm and road machinery includes:

- Chapter I. General Statistics on Tractors
- Chapter II. History and Qualifications
- Chapter III. General Construction
- Chapter IV. Motor Construction
- Chapter V. Counter Claims and Objections
- Chapter VI. Cooling System (Service)
- Chapter VII. Carburetion (Service)
- Chapter VIII. Ignition (Service)
- Chapter IX. Lubrication (Service)
- Chapter X. Motor Mechanism (Service)
- Chapter XI. Transmission (Service)
- Chapter XII. General Service (Service)
- Chapter XIII. Lubricating Oil
- Chapter XIV. Horse-Power and Metallurgy
- Chapter XV. Thresher
- Chapter XVI. Tractor Moldboard Plow
- Chapter XVII. Tractor Disc Plow
- Chapter XVIII. Tractor Lister
- Chapter XIX. Tractor Disc Harrow
- Chapter XX. Interesting Facts and Suggestions

The sales manual of a manufacturer of adding machines contains:

1. Manual of Salesmanship
2. Machine Manual
 - Purpose
 - Standard Mechanical Demonstration
 - Repair Specifications and Drawings of Machines
 - Comparison of All Competing Machines
 - A Brief History of Adding and Calculating Machines
3. General Instructions for Managers and Salesmen
4. Manual of Advertising
 - Its Purpose
 - Mediums
 - Most Economical Employment of Mediums
 - Prospect Lists
 - Direct-by-Mail Advertising
 - Instruments of Service for Direct-by-Mail Work
 - Cooperation between Salesmen and the Advertising Department
 - General Instructions from Advertising Department

The sales manual of a large paint and varnish manufacturing concern includes the following sections:

General Organization of the Company

(Footnote continued on page 135)

7. Exclusive or staple

B. Uses of product or services:

1. Types of wants or desires satisfied by the commodity or service
2. Consumer or producer's goods
3. Immediate or future uses
4. Original or derived uses
5. Permanent, continuous, or seasonal uses
6. Necessity or luxury
7. Known or unknown
8. Hobby, fad, or permanent demand

C. Characteristics

1. Special features of the product; technical points relating to use

(Footnote continued from page 134)

How to Mix Paint Properly
 Modern Method Floor Finishes
 The Sundry Shelf Goods
 Linseed Oil Selling Points
 Dry Color
 Carriage Undercoatings
 Specifications for New Railroad Equipment
 The History, Manufacture, and Sale of Varnish
 Metal Paint Proposition
 Color and Harmony
 Weights and Measurements

The manufacturer of a low, high-price automobile has prepared a sales manual for the salesmen of its local representatives. It contains:

1. Historical Section
2. Technical Section
 - Specifications
 - Features of Construction and Design
3. Merchandising Section
 - Standard Types
 - Special Equipment

A company, manufacturing labor-saving devices for the household, expects its salesmen to spend a great deal of their time helping the retailer merchandise his purchases. The sales manual includes, among other sections:

Competitive Price Schedules
 Correct Presentation
 Dealer Newspaper Campaigns
 Demonstration Systems
 Retail Store Costs
 Retail Turnover
 Floor and Window Display Systems
 History of the Business
 Mailing Lists
 Methods of Figuring Retail Store Profits
 Retail Merchandising
 Prices and Terms
 Potential Market and Natural Demand
 Sales Helps for Retailers
 Small-Town Sales Plans
 The Instalment Plan of Retailing
 The Mechanics of Newspaper Advertising
 Trade Acceptances

2. Quality
 - (a) Raw material
 - (b) Design
 - (c) Workmanship
 - (d) Appearance
 - (e) Finish
 3. Style
 - (a) Reasons for and advantage of styles
 - (b) Sources of styles
 - (c) Methods of setting styles
 - (d) Frequency of style change
 4. Standardization and simplification
 - (a) Reasons for and advantage of standardization and simplification
 - (b) Methods of attaining simplification
 - (c) Extent to which the assembled product is standardized
 5. Brands
 - (a) Products branded, copyrighted, patented or otherwise identified
 - (b) Private or manufacturer's brands
 - (c) Family, blanket, or individual product brands
 6. Containers
 - (a) Type of container
 - (b) Resale or advertising value of container
 - (c) Other uses to which container may be put by consumer or dealer
 7. Relation of product to buying habits of consumer
 - (a) Specialty, (b) shopping, or (c) convenience goods
 8. Salability
 - (a) Advantage to buyers
 - (b) Turnover and profit
- D. Supply of finished product
1. Limited or unlimited
 2. Regular or irregular
 3. Easy or difficult to secure
 4. Time needed for delivery
 5. Cost of delivery
 6. Methods of delivery

E. Service

1. Delivery

- (a) Time required
- (b) Cost
- (c) Dependability of promises concerning delivery
- (d) Methods required for delivery
- (e) Packing and containers in their relation to delivery

2. Repair and maintenance service

- (a) Service offered
- (b) Regularity or irregularity of service offered
- (c) Expense to purchaser of product

3. Services in resale

- (a) Window displays, designs, and other forms of dealer's help
- (b) Resale and demonstration work by representatives of manufacturer or seller
- (c) Other resale work

F. Development of product

1. History of product

- (a) Origin, conception, or invention
- (b) Changes
- (c) Relation of origin to consumer's or buyer's wants

2. History of production methods in their relation to the present offer

G. Manufacture

1. Raw material

- (a) Source
- (b) Production
- (c) Quality
- (d) Transportation
- (e) Supply, limited or unlimited, regular or irregular, readily available or difficult to secure

2. Construction of product

- (a) Elements of construction or manufacture
- (b) Basic principles involved in manufacture or production of particular product or specific principles involved in service offered for sale
- (c) Mechanical principles, actuarial principles, or other principles applicable to particular product offered

II. PRICES, TERMS OF SALE, AND OTHER CONDITIONS OF THE SALES OFFER

- A. Actual prices in their relation to the market, to competitors' prices, to past prices, and, to some extent to future prices
- B. Discounts
 - 1. Trade discounts
 - 2. Quantity discounts
 - 3. Jobbers' or other discounts dependent upon the class of purchaser
 - 4. Cash discounts
- C. Credit terms
 - 1. Length of credit terms
 - 2. Type of terms: book, acceptances, sight draft, bill of lading, or other terms
- D. Datings
 - 1. Exclusive-agency conditions
 - 2. Resale prices and maintenance
 - 3. Conditions regarding size of stocks or of repair parts
 - 4. Other terms of sale

III. THE SELLER

- A. Location of seller in relation to buyer
- B. Organization of selling firm
 - 1. Personnel—officials and executives
 - 2. Personnel—workers, grade of workers, attitude, health, and pay
- C. Financial responsibility of seller
- D. Reputation of seller
- E. Policies regarding product
 - 1. Shipping the product to market
 - 2. Guaranty
 - 3. Service
 - 4. Brand
- F. Distribution policies
 - 1. Sale to one type of distributor exclusively
 - 2. Sale to several types
- G. Selling methods of the house

1. Forms of personal selling used
2. Forms of advertising
3. Other forms of selling, including dealers' helps

IV. COMPETITION

- A. Comparison of sales proposition with those of competing companies
 1. Price competition
 2. Competition based on size, prestige, known dependability, and satisfactory nature of sales as a source of supply
 3. Location of competition in its relation to cost and availability of supply
 4. Service, delivery, resale, and maintenance and repair as compared to that offered by competitors

V. THE INDUSTRY

- A. Nature and development of the industry of which seller is part
- B. General conditions and trends in the industry

A. KNOWLEDGE OF THE PRODUCT

The salesman who knows his product, whether it be apples or insurance, steam engines or rubber shoes, has a decided advantage over the salesman who is not so equipped; and as buyers become more alert and better informed, the knowledge of the product which the salesman must possess in order to be successful will increase in amount from year to year.

1. *Nature of the product.* Obviously first must come a knowledge of the nature of the product which the salesman has to sell. He must know whether he is selling life insurance or accident insurance; whether, if he is offering dry-goods, his house has particular types of ready-to-wear, or, if mill supplies, whether he is handling those supplies which are needed especially by the textile mills.

The salesman should know, or should be able promptly to find out in detail, what his house offers for sale. When

the items run into thousands this in itself is not an easy task, even though the large number of items is usually the resultant obtained by multiplying a much smaller number of types of the product by the number of variations in size, in materials, or in finish. But even these variations may be necessitated by variation in use. For the retail salesman this means knowing exactly what is in stock and available for immediate sale.

The classification of commodities into material for manufacture, equipment, or merchandise for large-scale consumption, or individual or household consumption is not significant except for the purpose of determining the types of buyers who must be approached by the salesman. But the salesman, in studying what he sells, must perceive very quickly the difference between selling a tangible product and selling an intangible one. His task is easier in the former case than in the latter. Some of the most difficult selling work is involved in selling services of an intangible nature: for instance, advertising, insurance, vacation tours, or business services. These offer few of the usual helps which can be furnished to the man whose product is tangible, something which the salesman can describe and about which he can convey a distinct idea through samples, photographs, or models.

The simplicity or complexity of the product is in part inherent in the product itself; but simplicity is a selling point for a product when that simplicity means lower outlay with equal satisfaction for the wants of the consumer. However, this means simplicity is the result of design and for certain products must be considered in relation to style. The durability or perishability of the product frequently constitutes a very definite selling point from the point of view of the salesman. The product which is more durable than a competitor's yields more satisfactions than its competing product; therefore, it should be so much easier to sell. But where the satisfactions to be expected from an article are less than any quality of that article is capable of affording,

durability does not form a selling point. The durability of women's clothing of extreme style, for example, is not an important selling point.

The product which is unique may use its uniqueness as a selling point, provided the novelty is such as to attract attention. On the other hand, the familiarity of the public with a particular design, or a particular product, may be such as to offset any such advantage.

The exclusive possession of design, or exclusive right to make a particular product, is a very important selling point for many salesmen. In fact, much of the special selling and reputation of both the foreign and domestic manufacturers has been developed on the basis of exclusive designs, models, and inventions.

2. *Uses of the product.* The importance of knowing fully and completely how a product may serve the needs of buyers has been emphasized above. The salesman for a book-keeping machine may know that his product is intended to save labor, insure greater accuracy in the keeping of records, and cut the cost of keeping those records. But to be successful as a salesman, he must know a great deal more than that. He must know how the product may be fitted into an accounting system. Accounting systems are frequently very complicated and the more complicated they are, the larger the amount of work to be done, the more chance there is for the shifting of routing bookkeepers' work to machine work; but it requires a knowledge of the uses of the product and the application of bookkeeping machines to the buyer concerned, which cannot be replaced by a "glad-hand" approach and "soft-soap."

The need for this knowledge of use and application holds for many products which require special adaptation to the buyers' needs, but the general proposition holds true also with many simpler products. The salesman for a shoe manufacturer, in approaching retailers, must know, of course, the fundamentals of materials, construction, and

style features of his product. But it is to be remembered that those who buy for resale have only a derived interest in the product itself; by that is meant that they are interested primarily in the resale and peculiar possibilities of the product and in them largely in so far as they tend to react upon profits. The dealer not only realizes that a good, well-made shoe is of little use to him unless it can be sold, but also that the repeated sales to customers, upon which his prosperity depends, is not developed unless the products sold satisfy buyers' wants.

The first knowledge of uses is that regarding the type of wants or desires which the commodity or service satisfies. Fundamentally, in such a study, one goes back to a study of instinctive desires and satisfactions, with their variations which are interwoven in a complex pattern of sentiments, emotions, feelings, and habits.

It is important to know whether the goods are to be consumed in the form in which they are sold, or whether they are to be transformed by process of manufacture into other goods. The selling points which will be used by a salesman who represents a small motor manufacturer, in selling to the manufacturer of electric washing machines who uses such motors in process, will differ in some respects from the arguments used by the salesman who is selling a small motor to a consumer.

Knowledge concerning the uses of the product or service, whether they are immediate or future, whether they are derived or original uses, forms material for the development of personal selling of a desirable type. Knowledge as to whether the product or service is a necessity or a luxury, enables the salesman to determine more accurately the type of arguments or suggestions which will be effective in presenting his offer to the buyer in such a way, as to make it possible for the buyer to determine whether or not the offer will satisfy his wants. For many products, the development of new uses is a matter of common occurrence.

Values	Fibers	Yarns	Construction of Cloth	Finishing Processes	Manufacturing	Color and Design
Appearance						
Becomingness						
Serviceability						
Laundering Quality						
Comfort						
Fit						
Suitability						
Trade Name						

Figure 2: Diagram for analyzing special features of the product in relation to consumer's desires.

3. *Characteristics.* In the reinforcement of the knowledge which the salesman must possess in regard to the elementary uses and in regard to the type of product, there are various characteristics which deserve mention. One of the first steps which a salesman will take to reinforce his statements concerning the uses of a product, is to point out its special features or special characteristics and design, which will make it more desirable for the consumer's needs; special materials which give particular durability or lend particular service to certain wearing parts of a machine; or special quality of finish, color, and the like, which make the product desirable.

The analysis of the special features of the product in relation to the desires of the consumer is well illustrated in the chart which has been prepared by the Research Bureau for Retail Training conducted by Professor Charters, of the University of Pittsburgh (Figure 2).¹

¹Illustration adapted from *Merchandise Manuals for Retail Salespeople*, W. W. Charters, editor, A. W. Shaw Company, Chicago, 1925.

The quality is usually emphasized in discussion of the products; although it may refer to a number of different points. It may refer to the quality of the raw materials. From the customer's point of view, the quality desired is one that is sufficiently high to give all the service which he expects of the product. For a product which is to be used but a short time, the highest quality raw material would be unnecessary. On the other hand, for other products a high quality of raw material is absolutely necessary if the whole product is to give satisfaction. Quality in such a case becomes a very strong selling point.

Design, referring particularly to mechanical products and resting upon the prestige of the designer, the simplicity, adequacy and exclusiveness of the design, may offset many other less favorable features of a product. The precision of workmanship, and the care taken in making the product, are of interest to the buyer, because they have a direct bearing upon the amount of satisfaction which he can obtain from what he buys, though one may admit that there is occasionally less need for fine workmanship in a particular product than sales arguments would seem to concede.

The appearance of an article is a very strong argument, particularly with the non-professional buyer, or the buyer who intends reselling to non-professional buyers. While in the long run, appearance must be backed up by performance, the selling value of appearance is so important that manufacturers and professional buyers are compelled to pay much attention to it. The appearance of an automobile is to no small extent a factor in its purchase by the consumer. Appearance is related to finish, and where several different finishes are offered, the preference of the consumer or buyer can be met.

In style goods, the element of style is particularly effective as an appeal to buyers. In fact, for certain types of products, style is the first consideration, while quality is made secondary. In the sale of women's garments, how-

ever, the relative importance of the various factors will depend upon the style class into which these garments fall. In the higher-priced classes, style is made paramount, while in the medium and lower-priced classes, as a rule, style is not rated quite so highly.

The reasons for the adoption of particular styles and the advantage of such adoption should be understood by the salesman, whether selling to consumers in a retail store or selling to the retail buyer. If the style comes from Paris or from some other style center, that fact should be known by the salesman. He should know that the styles are authentic, or are adapted or copied direct from originals, if they are not originals. The retailer, the wholesaler, and the manufacturer who are interested in the sale of style goods must have knowledge and be able to arrive at definite conclusions concerning the styles which will be wanted by the buyers and at the time that the goods produced or sold are wanted. That means that certain retailers and manufacturers must take care not to be too far advanced in styles; nor must they be too conservative. In the case of textiles and ready-to-wear clothing, as is more or less the case with all goods in which rapidly changing styles play an important part, the life history of any style is a succession of stages which are characterized by Cherington¹ as: (1) creation; (2) adaptation; (3) popularization; (4) large-scale production; (5) abandonment. In the textile trade it is not uncommon for a mill to be a full 12 months ahead of the consumers' purchases in its efforts to guess what consumers' wants are going to be.

The policy of the company regarding frequency of change will be the resultant of the general attitude toward style, the conservative policy being that of changing style only slowly as the tastes of the general public change, the contrary policy being that of attempting to be up to date or in advance of the other manufacturers or producers in putting style goods on the market.

¹ *Harvard Business Review*, July, 1924, p. 421.

The standardization and simplification of the product furnishes arguments both for and against purchase; but the balance of advantage for many types of products is decidedly in favor of adoption of such a policy.

If the manufacturer has decided to practice simplification, the salesman may show the dealer how he is affected by the following points:¹

- Learn
1. Buyer and seller are enabled to speak the same language, and competitors are able to do likewise;
 2. Better quality of product through ability of manufacturer to concentrate on better design and through the reduction of manufacturing expense;
 3. It lowers unit cost by making mass production possible, as has been so strikingly shown in the unification of incandescent lamps and automobiles;
 4. By simplifying the carrying of stocks, it makes deliveries quicker and prices lower;
 5. It decreases litigation and other factors tending to disorganize industry, the burden of which ultimately falls upon the public;
 6. It eliminates indecision both in production and in utilization, a prolific cause of inefficiency and waste;
 7. It stabilizes production and employment, by broadening the possible market, and by making it safe for the manufacturer to accumulate stock during periods of slack orders to an extent which would not be safe with an unstandardized product;
 8. By focusing on essentials, it decreases selling expense, one of the serious problems of our economic system;
 9. By concentrating on fewer lines, it enables more thought and energy to be put into designs, so that they will be more efficient and economical.

The Automotive Simplified Practice Committee gives the following arguments in favor of simplification, which may be applied to other lines:

1. Simplification means standardization of these specifications

¹ Chamber of Commerce of United States Fabricated Production Department, *Bulletin No. 15.*

and sizes in automotive construction where individuality is neither necessary nor desirable.

2. Simplification, through saving of cost and effort on many details, makes possible greater individuality with respect to those factors where distinctive style or size is an asset.
3. Simplification reduces the cost to the manufacturer by permitting greater mass production and reducing capital outlay.
4. Simplification reduces the cost to the jobber and dealer by calling for smaller inventories and by quickening turnover.
5. Simplification reduces cost to automobile users through lower price and lower maintenance cost.
6. Simplification improves service to the user by making it easier to repair and replace parts and units.
7. Simplification means the adoption of those standards established by investigation or authority to be a reasonably attainable maximum of desirability.

On the other hand, standardization and simplification tend to reduce the freedom of choice of the buyer but in so far as the policies are not applicable to those articles in which there is scope for creative artistic effort, such freedom of choice should properly be limited.

While the salesman who can offer variations according to the buyer's wants may use this as an argument, the salesman whose styles are limited may show the advantage of simplification to consumer, dealer or manufacturer.

In regard to brands, the salesman must know whether or not his house has definitely adopted the policy of branding its goods. He should know that such branding or identification is a protection to the public and to the buyer generally, the prime purpose and view-point of manufacturers being that of assuring to the buyer the good-will of consumers which results from the sale of a meritorious product.

The salesman will frequently be asked in some trades for goods manufactured under private brand. He must know the policy of his house and should know the reasons why the seller does not wish to manufacture private brands, or,

why they have adopted a policy favorable to them. The salesman can also point out the advantage of a blanket brand covering a group of products in which the good-will attaching to any one of the group is extended to cover many other members of the same group. The use of different brands for different quality, and the use of different brands for the same quality, are both practiced by individual companies to such an extent that it is well for the salesman to be informed about them.

The container in which a product is sold sometimes has a definite selling value. It may look well on the shelf; it may attract purchasers. There are many instances of products whose resale value has been immensely increased by the selection of a proper container. For some types of products the selection of a container by experts, whose selection has been carefully tested, is a selling point which is of great importance, especially if that product has the qualities of a staple. Sometimes the argument takes the form of showing how the container may be put to other uses than that merely of serving as a container for the particular item.

The purposes of the container are protection, economy in delivery to consumer by the merchant, convenience to the consumer, and the increase of salability of the product. The sales value of the package depends upon:

1. The design of the package
2. Its shape
3. Color
4. Convenience
5. Size
6. Prestige value of distinctiveness
7. Possibility of changing the unit of sale either by combination of similar units or by combination of dissimilar goods for related uses

In studying the relation of a particular product to the buyer's habits, the salesman who can definitely classify his product as a convenience, a specialty, or a shopping goods, will be assisted in selecting the number and types of dealers to whom he should sell.

Copeland¹ defines convenience goods as those customarily purchased at easily accessible stores; such as, for example, canned soups, tobacco products, electric-light bulbs, safety-razor blades, shoe polish, laundry soap, crackers, popular magazines, confectionery, and tooth paste. They are purchased at frequent intervals by the average consumer, and the "repeat" orders enable the stores handling such wares to secure adequate patronage with reasonably small investments in stock of merchandise. Typical retail establishments carrying convenience goods are grocery, drug, and hardware stores.

Shopping goods are those for which the consumer desires to compare prices, quality, and style at the time of purchase, usually in several stores. Examples are gingham goods, women's gloves, chinaware, and novelty articles. A typical shopping institution is the department store. Shopping goods are purchased largely by women. The exact price of the merchandise wanted may not be clearly defined in advance in the mind of the shopper; this is in contrast to the usual attitude in purchasing convenience goods. The purchase of shopping goods usually can be delayed for a time after the existence of the need has been recognized; the immediate satisfaction of the want is not so essential as in the case of most convenience goods.

Professor Copeland adds the classification "specialty goods," as those which have some particular attraction for the consumer, other than price, which induces him to put forth special effort to visit the store in which they are sold and to make the purchase without shopping. In purchasing these goods, the consumer determines in advance the nature of the goods to be bought and the store in which the purchase is to be made, provided a satisfactory selection of merchandise can be effected in that store. As in the case of shopping goods, the actual purchase of a specialty article may be postponed for a time after the specific need has been felt by the consumer. Examples are men's clothing, men's

¹ *Harvard Business Review*, April, 1923, pp. 282-289.

shoes, high-grade furniture, vacuum cleaners, and phonographs.

The salability of an article is a most important selling appeal in a sale to retailers or wholesalers. It is largely a result of the other factors which have been mentioned, for salability or resale wants rest upon the purchase of the product by consumers and the knowledge of consumers regarding the product and its uses; but, in addition to salability, or the readiness with which goods can be resold, the dealer is interested in the rate of turnover and profit which he will make on his stock-turn. The salesman, therefore, should be informed as to the salability and profit which the dealer can make through sales effort.

4. *The supply of finished product.* A retailer who expects to create a repeat demand, the wholesaler who must supply the retailers with such products, the manufacturers who purchase materials or equipment for process of manufacture (which is not to be confined to a short period), are all interested in the possibility and probability of securing additional supplies of the finished product, as well as in securing delivery of the orders which the salesman takes.

In studying the supply they desire to know whether the supply is limited or unlimited; whether the limitation is one that is operative over only a short period of time until additional goods can be produced or shipped, or whether the limitation is due to cessation of manufacture, shortage of raw materials, or other causes which mean that further supplies cannot be secured, at least, for a considerable length of time. They are also interested in knowing whether the supply is regular or irregular. If supplies can be secured regularly, the necessity for planning to carry stocks on hand for emergencies is not so pressing as in the case of a product in which the supply can be secured only irregularly.

The buyer is also interested in knowing that when a de-

mand has been built up, further supplies will be forthcoming at prices and under terms which compare favorably with the first; or in knowing that the creation of such demand will place the buyer in such a position as to be dependent upon the seller to an undesirable degree.

5. *Service.* The word service has been used and abused by business executives, salesmen, and others until there is no distinct conception as to what it comprises and as to the extent to which it really does figure in personal selling. One hears statements that competition is no longer based upon prices but upon service. Like so many other statements this is only a partial truth. It is true that in a competitive market, prices tend to level up or down over a very narrow range. As a consequence, the preference of buyers falls toward those houses which can offer service in the way of prompt deliveries, satisfactory adjustment, repair and maintenance service, and selling helps.

The most important type of service, and one which is possible for every dealer, is that relating to the delivery of products or services which are sold. The salesman must know the time required for delivery with a degree of certainty required to meet the buyer's needs. Furthermore, he should know the cost of such delivery, for the cost to the consumer comprises the cost of the product plus the cost of transportation. Since the salesman must frequently make promises as to delivery with the advice and consent of his employers, he must know the time required for production and shipment under normal conditions and must be careful not to make promises which he cannot fulfil, and must be honest in refusing to take orders when he knows that the needs of the customer as to delivery cannot be met. An order may be lost occasionally, but if selling is to be directed mainly toward the development of customers and not to one-time buyers, dependability in deliveries must be developed and maintained in every respect.

The salesman needs to know, further, the methods of de-

liveries which are required, or which are possible. He should know whether rail, water, truck, or other forms of transportation are available, their relative cost and service for the buyer, and the special methods which must be required for certain types of products.

Lastly, he must know the way in which the goods are packed and shipped to the consumer, particularly those ordered by the professional buyer, who realizes that even though a seller stands back of damaged products, the loss and trouble occasioned by making damage claims against transportation companies and others is not compensated for by the payment of such claims.

For complex types of products, the repair and maintenance service is a most important one. In the sale of complicated office supplies, the firm which has not made its products absolutely "fool proof," or that does not maintain a corps of men trained to keep the machines working satisfactorily, will soon encounter increased sales resistance, because the wants of buyers for continuous, adequate service from the machines are not being satisfied.

Since the ultimate service to be secured from such machines, furthermore, will depend upon wear, tear and breakage, it is to the interest of the manufacturer in many cases to furnish this service, in order to create good-will, or even to keep products sold. Salesmen should know whether such service involves special expense after the purchase. They should know whether the service is brought to the buyer through visits of service men, or whether the buyer must go to the particular service station or to the place of business of the dealer in order to secure the service offered. Both practices are followed by progressive concerns. The automobile companies follow the latter and the office appliance companies adopt a combination of methods. Some companies use as a selling point the fact that they offer regular service inspection for the purpose of determining whether or not the products they sell are giving satisfaction.

Lastly, there is the service which a seller may offer, par-

ticularly, to the wholesalers and retailers in aiding them to resell the product. A common form which this service assumes is that of furnishing advertising material, cards, posters, window displays, cooperation in local advertising, consumer advertising—all for the purpose of effecting resale. So-called “missionary” salesmen also sell to the retailer for the jobber; demonstrators are frequently used by manufacturers to demonstrate the use of their products in retail stores, in exhibitions, or to consumers in their homes in order to assist the retailer in selling.

6. *Development of product.* For new and peculiar products, as well as for products that are better known, the salesman can sometimes develop interest in the product by his knowledge of origin, characteristics, conception, or invention and the changes through which the product has progressed in reaching the shape in which it is offered to the public. If the product was developed originally as a means of satisfying a specific want, that fact is interesting to the buyer who has the same want. Likewise, the development of production methods in their relation to the ability of the company to furnish the product or service in suitable form, with unvarying quality, and in the quantities desired, has its bearing upon the ability of the seller to satisfy buyers' desires.

7. *Manufacture.* Knowledge of the manufacture is frequently a means of securing knowledge as to specific features of a product. Many companies regard it as necessary for the salesman to spend a limited time in becoming acquainted with manufacturing processes. Many training courses for salesmen include a period spent in the factory, following some schedule of progress from operation to operation in the process.

In the manufacture of the product, the quality of raw materials will to some extent determine the quality of the finished product. The source of these raw materials and the methods of production and transportation may be of

interest to the professional buyer who is attempting to determine the suitability of these goods to his needs.

The buyer is also interested in knowing whether the raw material supply can be furnished in such quantities and at such times as to assure him against shortage in filling repeat orders.

In the construction of the product, the salesman should know the elements of the product and the basic principles in the manufacture of the product. He should know the primary mechanical principles if he is selling a mechanical product. If he is selling a humidification system for textile mills, he must know the underlying principles; otherwise, he must repeat parrot-like what he has been told by those who do know. He must know the general actuarial principles underlying insurance if he is selling insurance, although, in this case, as well as in all the others, the knowledge of basic principles and the detail to which that knowledge should be carried will depend upon the ability of the salesman to possess such knowledge without abusing it. Fundamentally, the ordinary buyer is not interested in the actuarial basis for particular rates. As a consequence the salesman who attempts to display his knowledge, and who does not regard such knowledge as a reserve, both to give him confidence and to be used in case of emergencies, will defeat his own purpose by confusing issues and by tiring the prospective buyer, who does not get the more fundamental knowledge of the relation of the product to his own needs.

The general principle is likewise true of manufactured products. The salesman should know the relative scale of production. If his company is a small one, he should know the relative advantages of small-scale production, as well as the disadvantages; or if he represents a company that may manufacture on a very large scale, he should likewise know the advantages that thereby are assured. He should know the type and nature of the equipment used by the company in manufacturing; whether it is up to date, whether the

processes are modern and efficient, or antiquated and inefficient. He should know about the relative grade, rank and skilfulness of labor in the plant and the relation of this and other qualities to the nature and quality of the finished product. Knowledge as to the steps in manufacture or assembly is useful, but not so much as a knowledge of the care and strictness with which the product is tested and inspected, both in process and in the finished form, because such inspection eliminates chances that the product will not give to the consumer the utilities which he desires.

B. PRICES, TERMS OF SALE, AND OTHER CONDITIONS OF THE SALES OFFER

The prospective buyer is interested, not only in the proposition which is offered him for acceptance or rejection as far as the goods or services are concerned, but also in what he is compelled to give up in the acceptance of the offer. Primarily, this includes the price which he is asked to pay for the goods, as well as the other terms surrounding payment or acceptance of the offer.

1. *Price.* The price involved in the offer is usually the first thing that the buyer wishes to know as soon as he has learned about the nature of the product. In fact, one of the problems of the salesman at times is so to conduct the interview that the relationship of the product or service to the buyer's wants is at least roughly sketched before the price is given the buyer, because the buyer is inclined to base his judgment as to the relative level of the price on the basis of the information which he already possesses regarding the product offered. If the information he has of the product is very meagre, the price may seem higher than it should in proportion to what it would were the buyer fully informed.

The salesman must be able to give the price at which an article is to be sold. This, too, is not an easy task if the lines are extensive or if changes are frequent. It is the re-

sponsibility, both of the salesman and of his employer, to see that he is informed concurrently concerning the prices and that he is provided with information in such form that it is readily available. Where prices are not changing rapidly, or where the line is not extensive, he should know these prices without reference to other sources of information, except for verification.

It is not sufficient for him to know only the level of prices of his own products. Without information as to the level of prices compared with the market, he will not be prepared to meet objections that his price is higher than that of the market, or than that of competitors.

Furthermore, the well-informed salesman will know whether prices have advanced or declined and will know, or attempt to secure information, as to the movement of prices, so that he may discourage customers from buying unwisely, from stocking up in anticipation of higher prices, or may encourage them to purchase sufficient stock when prices are moving upward. It is true that such predictions are dangerous, and ordinarily a salesman should not attempt to give such advice, except on the suggestion of his house, and then only if it is clearly to the advantage of the buyer to be so advised.

2. *Discounts.* In the quotation of discounts and prices, likewise, the salesman must know whether or not he is limited in quoting the exact prices given him by his house, or whether a certain amount of leeway is open to him in making concessions for various reasons. In the hardware trade, for instance, the wholesale salesman must definitely know the trade discounts which are being offered and be familiar with rapid methods of computing prices from list. In all cases he must know whether special concessions or discounts are given for quantity purchase and the quantity which must be purchased in order to secure such concessions. He must also know the policy of his company in regard to making special prices or discounts to various

classes of distributors. If special discounts are offered to jobbers, he must be informed as to the methods of determining who shall be given a jobber's price. Embarrassing questions frequently arise when a retailer demands jobber's prices, either on the basis of quantity prices, or on the basis of doing some jobbing business to smaller retailers. Tactful handling and knowledge of the policy of the house are especially needed in such cases.

Information is needed relative to the cash discount which can be offered, both because such discount is a part of the terms of sale and because the cash discount, particularly in selling to department stores, plays a very large part in budget calculations.

3. *Credit terms.* The length of the credit terms, whether sight-draft payment or 10, 30, 60, 90 days or longer credit terms are offered, will depend upon the general credit policy of the house, which, in turn, depends upon the trade practice and special conditions. Since both the form of credit and the length of credit terms are important subjects of bargaining between buyer and seller, the salesman must be especially well informed as to the policy of the seller and the extent to which changes may be made in the interest of particular buyers.

While ordinarily book credit is the most common, there are many firms which wish to introduce acceptance terms. In such cases the salesman must know what an acceptance is, and its advantages and disadvantages, both to the house and to the buyer.

4. *Special datings offered.* The salesman must know whether or not special datings can be offered, or whether other special credit terms may be granted, because at times the granting of such concessions may induce purchase by a buyer who is temporarily in need of such accommodation.

Lastly, there are other terms and conditions in which the buyer must agree to do certain things which are indirectly to his advantage.

While, in connection with exclusive-agency products, it is illegal to agree not to sell the goods of a competitor, there is often an implied understanding that the acceptor of an exclusive agency will not handle a directly competing line. Likewise, the buyer in dealing with certain companies agrees, or at least there is implied an agreement, to maintain suggested retail prices. If he is opposed to the acceptance of such policies, it is up to him to determine whether this implied understanding is to be a bar to purchase, or whether he is to feel free to break it. In the acceptance of an exclusive agency, special terms may also be imposed. For instance, in handling the exclusive agency for complex machines, it may be agreed by the buyer that he shall offer adequate service to local consumers of the product. Automobile agencies are usually required also to maintain adequate stocks of repair parts to supply the most urgent needs of their respective communities. The buyer should clearly understand these conditions; they are a part of the sales proposition.

C. THE SELLER

The buyer is interested, furthermore, in determining whether or not the seller is a satisfactory purveyor of the product, even though a satisfactory relationship between the product and his needs has been demonstrated. He is interested in the location of the seller's plants because they give him some indication of the availability of further supplies of the product and of the cost of getting such products.

Furthermore, the organization of the selling firm will furnish the salesman with information of interest to the buyer. A firm with a capable and well-known personnel, whose officials and executives are of outstanding capacity, whose workers are of high grade, well paid, and are loyal to the company and to whom the company is loyal in turn, is a much more satisfactory source of supply than is the company whose executives and officials are incapable and dishonest,

and whose workers are illy cared for, poorly paid, and disloyal. The financial responsibility of a selling concern, which can be more readily ascertained than some of the other facts, is a clue to its ability to stand back of expressed and implied promises made in regard to goods and their delivery; consequently some buyers refuse to deal with houses of small financial responsibility, because there is no assurance, they believe, of securing adequate supply continuously.

The reputation of a house is a very strong selling point for a salesman and is one which is the resultant of all of the other factors which have been mentioned. A company that has a reputation for merchantable products, fair dealing, economical and satisfactory service, is in an enviable position, because the necessity for establishing trustworthiness and dependability of the seller's source of supply becomes unnecessary, except for those buyers who are not acquainted with the house. The wider its reputation the fewer such buyers there are. All of these facts, together with a history of the company and its development, are bases for the loyalty of the salesman to his company, as well as indications of the nature of the seller as a satisfactory source of supply for a particular buyer.

The buyer is interested also in the seller's policy with regard to its products, distribution, and prices in all their particular ramifications. The salesman must know not only what the house is doing, or how it is handling situations at a particular time, but what the general principles which underly the operation of the company are. Every reputable company stands behind its products, but many companies have decided to give specific guaranties. These guaranties furnish strong selling points and their use will also bring with them the danger of abuse and the problem of handling returns. A guaranty is evidence of good faith and honesty of representation and places the responsibility definitely upon the manufacturer. If the guaranty is restrictive the salesman must be very careful to point out that

fact. Likewise, the general policy of the company with regard to service, brands, and the like should be known, as a background for presenting those facts regarding the product which are of immediate interest to the prospective buyer.

Lastly comes the consideration of the methods of selling—whether the company uses advertising or whether “missionary” salesmen are employed to sell a product or help resell it, forms of dealer helps in use by the company—all of these things, as a general policy of the company, should be known by the salesman who wishes to be in a position to present this proposition in an effective manner.

The purpose of the salesman in securing knowledge of the goods and of the house he represents may be stated in other terms—that of making it easier for the buyer to buy. The buyer wishes to know not merely that the goods serve his purpose, but that the seller is able to carry out the promises he makes and that he will carry them out. The buyer wishes to be assured that the goods will be as represented by sample or description, but whether goods conform to sample or not will depend upon the intention and policy of the house; a concern, however, which possesses reputation can have no other policy than that of sending goods according to sample and specifications. This intention may not be carried out, so that the care with which the house insists upon conformity with sample, and uses methods to bring it about should be known by the salesman. There may be chemical tests, or mechanical tests, or other forms of tests. One company points out that in its process there are 400 inspections. In another case the care with which orders are checked is pointed out, so that the buyer may be assured.

The man engaged in personal selling knows that he is human and knows that his customer is human; but he often gets the impression that his house is a sort of huge machine, not an organization of human beings in certain relationships. Loyalty to a machine is not possible, or at least is not possi-

ble except by the attribution of the characteristics of living things to the machine. The lack of personal connection between the house and its salesmen is responsible for misunderstanding, waste, and misrepresentation of the house to buyers and prospective buyers, and the lack of knowledge in the salesman weakens his position; he is not able to convince his buyer that the purchase should be made from his company rather than from some competitor.

D. COMPETITION

Knowledge of the goods one is selling and knowledge of the house and the terms of sale are not sufficient to effect sales, particularly in a competitive market. The salesman should know what can be legitimately learned concerning the comparison of his own sales offer with the sales offers of competing companies. Such comparisons should give confidence and should give the seller an equal advantage with the buyer if such comparisons are discussed.

The types of knowledge of competition which may be useful to the salesman are facts concerning the prices of competing goods, the relative satisfactoriness as a source of supply, which will depend in part upon the location of competing companies and in part upon the services which they offer; but it is poor salesmanship to use the knowledge of competing offers except in emergencies when its subject is raised by the prospect. Psychologically, comparing one's offer with that of a competitor is apt to have one of two effects. If the claim is made that the product or offer is as good as that of a competitor, the competing offer is set up as a standard. If the competing offer is condemned and the product knocked, on the other hand, the reaction of the customer is unfavorable. There are psychological explanations into which it is not necessary to go which explain the fact that if a competitor is disparaged, the reaction of the customer is apt to be unfavorable, not only for the competitor but for the salesman who disparages other sellers.

E. THE INDUSTRY

Lastly, a salesman must have knowledge of his industry or trade. In order to know the importance of an industry as a whole and the relation of a particular company to that industry, some knowledge of the trade or industry is necessary. With such a background the wholesale salesman may better serve customers; although ordinarily such knowledge is not valuable for direct use but rather for the consciousness that it gives the salesman of his relationship to business in general. Furthermore, work is much more worth while if he is fully informed, both on the general and specific aspects of product, firm, and industry.

SOURCES OF KNOWLEDGE OF THE SALES PROPOSITION

The salesman secures his knowledge of the sales proposition from a number of different sources:

1. General information as to an industry, trade, or process will furnish a background of information, particularly for staple products. Such general information ordinarily does not give one sufficient information to present the proposition efficiently, and detailed knowledge must be secured in connection with the specific product.

2. Previous experience of a salesman in the same line or study along related lines may give further information about the product and general conditions concerning the offer. A salesman for a shoe company may have had previous experience in selling shoes, in which case his knowledge acquired in the previous connection may be applicable without more than minor changes to the new sales proposition. The engineer who has studied electric motors and dynamos in a technical course has acquired a great deal of knowledge which will be of use in the selling of such products.

3. The salesman may secure knowledge of his own sales

proposition from sales executives or other salesmen, a very common method of securing such knowledge in companies that have no definite training course. Sometimes this knowledge is fairly complete, but in many cases it is given haphazardly and disconnectedly in such a way that the salesman does not get the whole picture, nor is he able to secure it from any other sources. Questioning of other salesmen, both in his own company and other companies, will help him somewhat.

4. Observation and use of the product itself is one of the most effective ways to learn about it, though obviously this is confined to goods which can be so consumed. The salesman who has had satisfactory experience with insurance has acquired some knowledge of its uses. The automobile salesman who has had satisfactory experience with a particular car has acquired much knowledge of the car of value to him in selling.

5. Where such observation is not possible, it is possible to observe the product in use by others, and a man may secure from present users their statements as to the wants satisfied by it and as to the degree of satisfaction which the product is giving.

6. The salesman may secure his knowledge of the sales proposition from catalogs and advertising literature put out by the company. In extensive lines, the catalog is a mine of information. Advertising literature, particularly, when it contains copy featuring the products may not only help the salesman to determine what the selling points are, but also to determine their relative importance.

7. A salesman's manual frequently contains direct references and statements concerning the products and are especially useful in furnishing the salesman with knowledge needed to present effectively the product to the buyer. A carefully worked out sales manual is of great value as a source of knowledge of the sales product.

8. By working in the plant, or in similar plants, where the product is produced, or in the various departments of a wholesale company selling a similar line, salesmen may secure a knowledge of the product which could not be secured so effectively in any other manner, except possibly through a technical course of training, which, on the other hand, does not specifically fit any one particular line. The value of this method of acquiring knowledge and the necessity of this knowledge are emphasized by the practice of some companies in hiring as salesmen only those men who have had very considerable experience in the manufacturing departments.

9. The company may establish a definite course of study, conducted only by special officials or by regular executives for the purpose of teaching salesmen about the product. Such training schools frequently place more emphasis on the features of the process and on the sales proposition than upon any other single subject.

10. Lastly, through general reading the salesman may obtain knowledge of products, particularly those that fall into certain general groups. Automobile salesmen may secure such knowledge from engineering manuals; the salesman for textile machinery may obtain such knowledge from treatises on the manufacture of textiles; the retail clerk may secure information from department store manuals, which are now published for a wide variety of different departments. In fact, for many of the broader divisions of industry, there are gradually developing literatures which the salesman who wants to know his subject fully, in all of its aspects, cannot afford to neglect.

USING KNOWLEDGE OF THE PRODUCT

Occasionally the assertion is made that the salesman is better off without much knowledge of his product; that if he knows very much about his proposition he is apt to bore

the prospective buyer with irrelevant details. He tries to display his knowledge instead of trying to make sales. In other words, it is claimed that the salesman may know too much about his proposition. That such objections are advanced in all seriousness and on the basis of actual experiences cannot be doubted. But the conclusion that the salesman may know too much about his proposition and that the salesman is better off without detail of importance is unwarranted, as applied to a large majority of salesmen, if not to all. The possession of knowledge of the sales proposition should not cause the salesman to lose sight of the fact that he is selling the satisfactions to be obtained from the purchase by the buyer, rather than the details of construction. In so far as detailed knowledge gives him confidence in his proposition and increases his ability to prove to the prospective buyer that the satisfactions claimed for the product are warranted, it is to be much desired. In so far as it causes him to lose his sense of proportion, so that he substitutes facts as to the details of the product instead of showing important applications to the buyer's needs, such knowledge is not to be desired. But this latter is misuse, not intelligent use, of the salesman's knowledge.

Detailed knowledge is useful but may not be used in the course of any one interview; frequently, it should not be used because it is confusing and unnecessary, especially in selling to the inexperienced buyer. But the salesman who takes honest pride in his work, who is endeavoring to help buyers satisfy their real wants will not misuse his facts. The great danger lies in the direction of the salesman's knowing too little to sell intelligently, not in his knowing too much.

VI

KNOWLEDGE OF THE MARKET AS A BASIS FOR SELLING

Meaning of "Knowledge of the Market." Knowledge of the market from the view-point of the individual salesman. Prospecting. Sources of information upon the market.

WHAT is meant by a knowledge of the market? It would seem to be an obvious fact that the salesman endeavoring to effect sales to individuals would find it necessary to be supplied with information about those individuals, both individually and collectively, in order to perform his task with the minimum of waste effort. That this necessity is recognized more and more by efficient salesmen and by progressive sales organizations is shown by the growing effort to analyze markets and to determine profitable markets and profitable customers for particular products and services. It is becoming more clearly perceived that one may make a sale at too great a cost. Profits depend primarily upon making those sales which individually yield a profit, although some sales which yield no profit may be made in order to build good-will for future profitable sales. The effort to get volume of sales in the past has often led to a disregard of fundamentals.

The knowledge of the market which is needed for the effective performance of personal selling may be divided into two classes. First, the knowledge of the market as a whole is required. The knowledge which the sales department possesses regarding the classes of buyers and their characteristics and general location may be acquired by experience or by study and application of a scientific method of market analysis, as carried on by and for pro-

gressive sales organizations. Second, knowledge of the individual buyer is necessary. Obviously knowledge of the market as a whole is not effective from the view-point of the salesman in the field, unless it is carried further in order to break up the knowledge of the classes of buyers into detailed knowledge of individual buyers. The salesman must approach buyers as individuals; he will rarely have a chance to approach a group of buyers.

As to knowledge of the market as a whole, or more generalized knowledge of the market, it must be pointed out that ordinarily the acquisition of this type of relation is the function of the sales department, and not the function of the individual salesman. The well-directed sales department should be able to tell the salesman who constitute the chief classes of buyers. It may seem unnecessary to the salesman to acquire such knowledge. It is obvious that the shoe manufacturer selling to retailers finds most of his prospects in retail shoe stores, department stores, and general stores. It is not so obvious to salesmen that there are more than 8,000 commissary stores, operated by large corporations, some of which furnish a market of shoes. But the situation in connection with shoes is very much clearer than the situation of a company producing a wide variety of products, such as the Dennison Manufacturing Company, which has found it distinctly of value to its salesmen to compile an extensive list of the classes of buyers of different products; a list which is surprisingly long and surprisingly more complete than the mental classification of prospective buyers which the average salesman would produce.

The classification of buyers depends, in large part, upon complete knowledge of the uses of a product or the wants which are satisfied. New uses of a product may reveal new classes of buyers. The use of yeast for health purposes opened up many new classes of buyers for the manufacture of yeast. There is therefore, for many products, a field for the ingenuity of the salesman in determining new uses and classes of buyers for a product, even though the manufac-

turer has given a list of buyers based upon the past experience of the company.

Not only does the salesman need to know the classes of buyers to whom he may sell, but he should know also certain facts about those classes of buyers. First, what is the standing of the class on the credit list? Secondly, what is the relative value of the members of each class of prospects? For instance, the salesman in taking orders may be informed by his house that, as a class, pool rooms constitute very low credit risks, while wholesalers constitute very good credit risks. Knowledge of this sort frequently influences the salesman to apportion his time more wisely, and where it is necessary to neglect a certain number of buyers, to neglect those of least importance to himself and to his employer.

A market analysis from the view-point of the sales department includes frequently much more than a list of the classes of buyers of the product. It frequently includes careful estimates of the amount which can be sold, classes of buyers in particular areas, and the effect of competition upon the possibilities of the territory. These estimates when carefully made, furnish the basis both for the estimate of the salesman's performance and for fixing the salesman's task. The market analysis and study of market possibilities is made part of the basis for the salesman's quotas.

The knowledge of the market in general is obtained by the sales department from several sources: first, from records and experiences with customers in the market; second, library sources of material, studies of population, purchasing power and various indexes which may be developed by the expert in market analysis; third, field investigation through executives, salesmen, or outside investigators. The salesman in the territory is frequently asked to furnish information about his market. He is in an excellent position to do so. His detailed knowledge of his territory should enable him to give information, not easily to be obtained in any other way. That information, compiled

and properly used, may become a valuable aid to the salesman himself.

Whatever the results of the market analysis, if common sense is used, they should produce the truth more nearly than the haphazard method of estimating market possibilities that has prevailed very generally among business concerns. It is true that reliance upon market estimates as accurate estimates is dangerous, but the attempt to formulate them carefully should increase rather than decrease the soundness of the basis upon which plans must be made.¹

KNOWLEDGE OF THE MARKET FROM THE VIEW-POINT OF THE INDIVIDUAL SALESMAN

There are several points upon which the salesman in the field needs to be informed regarding his market. First, he should know the names and locations of his customers and prospective buyers. Secondly, he should have information concerning each of those prospects which will make it possible for him to adjust his selling effort effectively; frequently in securing this information as to the names and locations of individual buyers, it happens that knowledge of buyers' wants is secured incidentally.

If one starts selling a product without any knowledge of his market, he may happen upon prospective buyers from the simple process of going from house to house, or retailer to retailer. This is usually a very expensive and time-consuming process. Unless the product is one that is sold to all classes of buyers, it is absolutely necessary to have this other information before obtaining the names of buyers, locations, and information of selling value.

The salesman should know the ultimate consumer as well as the immediate buyer. No salesman can successfully sell to retailers, who does not appreciate or understand a great deal about the wants of the consumers to whom a retailer sells. The problem of a retailer is to determine what con-

¹See Appendix B.

sumers will buy and what they will be willing to pay for it: in other words, to determine what consumers' wants are and how much they are willing to sacrifice to satisfy those wants. Consequently, the salesman who can sell successfully is the salesman whose goods either obviously satisfy consumers' wants, or which the salesman can demonstrate will satisfy wants, thereby assuring the salability of the goods after they reach the retailer.

However, in addition to this knowledge of consumers' wants, the salesman must recognize that the buyer's problem is that of satisfying these wants at a profit to himself, selling at prices which will give to him a fair return for the effort and ingenuity put forth. Consequently, in addition to his knowledge of wants of the buyer, the salesman must be able to understand the wants of retailers in regard to salability, profit, building up of good-will, and the like.

The process of getting these names and locations is frequently called "prospecting" by those who are engaged in the work. Prospecting should constitute a very definite part of the work of every salesman who is not engaged solely in the task of taking care of a few old customers, without responsibility to himself or his house for securing new customers. The methods of securing prospects vary widely according to the type of product which is to be sold, and the character of the market, and of individual buyers. The retail insurance salesman declares that prospects can be found in groups, as well as individuals. The methods to be used in finding them will be classified as (1) "cold canvass prospecting" in which the attempt is made to select prospects on some other basis than that of personal knowledge; (2) groups which have a common problem or common interest in each other or in some employer or activity; (3) "the endless chain" method, the development of the system in which buyers or prospects are asked to suggest other prospects; (4) the personal observation method; and (5) center of influence, developing prospects through cooperation with groups who in turn become bound to the salesman

and become therefore better prospects. In more general terms, the methods of securing prospects rest first upon securing knowledge of those who might be prospects, eliminating those groups which cannot conceivably be prospects, and attempting to refine the resultant group by such means as will develop a list upon which the salesman's time may be used most effectively. A great deal of attention should be paid by the average salesman to the getting of prospects.

A salesman selling graphite electrodes for use in electric furnaces finds it a comparatively easy matter to get a complete list of all his customers for his product within his territory. The life insurance salesman finds his problem one of selecting prospects who have not already purchased, and who are not tied up to competing sellers. In many trades the salesman will find it possible to determine the dealers in his territory by referring to directories of that trade. Even if furnished with customer records by his house, the necessity for securing new customers and developing goodwill among prospective buyers may make concentration on this problem advisable. Information made as to prospects may come from items indicating a change in statistics, which brings a particular man into the market for new classes of products. Finding the prospects for textile-machinery manufacturers is a much easier matter than finding the prospects for a certain type of investment security.

The salesman's work will be most effective when his efforts are expended upon those who can buy and who may be willing to buy if convinced that they want the product or service offered. It is therefore necessary for the salesman at times to consider the purchasing power of customers. The salesman for residence pipe organs would find it profitable to approach only those who possess considerable incomes and large homes in which they may be installed. Salesmen for economic services may find that the best market lies among companies capitalized at one million dollars or more.¹ In such cases, the salesman would be wise to con-

¹ *System*, April, 1925, p. 455.

fine his efforts to such companies so long as the number of prospects in their class is sufficient to keep him busy, and their location is not such as to involve a great waste of time.

The salesman, furthermore, in attempting to find prospects is aided occasionally by his house through inquiries received through advertising and, occasionally, by lists furnished by the house, which are brought up to date from time to time.

It is very easy for the salesman, as well as for the sales manager, to make mistakes in judging prospective buyers for his product. Such mistakes in judgment have often resulted in the loss of a large volume of sales. Investment security houses, in the past, have been inclined to consider only the large investment market, and have neglected the small investor, leaving him to be the prey of the "get-rich-quick" stock salesman, and similar "little" gentry. The surprising performance of the public in connection with the Liberty loans, and the surprising results which have been obtained by various telephone and other public utilities companies in selling their stock to small investors have opened the eyes of many of these investment houses to the great potential market which they furnish, with the result that some of the largest houses have reduced the minimum size of their denominations to a comparatively small figure, while the total sales have greatly increased.

There can be no doubt that it pays the salesman to study his territory, and the instructions of some companies in their sales manuals point out this fact very clearly. A company selling phonographs points out possible groups of customers, and shows suggestive methods of handling each type. A company distributing magazines insists upon each salesman's carrying out a plan of study of his territory, which may be adapted to any other type of product. In the instructions to salesmen, this company declares that a traveling representative should carefully survey his territory, its location, and the population living in cities and towns. He should familiarize himself with the geography of the

territory, and its transportation facilities. In the second place, the traveling representative is advised to study the present sale of his product in every city and town in his territory and then the total sales of his entire territory. That is necessary for his quota. Third, the salesman is asked in this case to estimate the amount of sales which each territory should yield on the basis of an average sale of 40 to 50 copies per thousand people, a figure which has been demonstrated in many localities to be a fair one for this particular group of magazines. The traveling salesman is also to determine whether there are enough magazine dealers in a town to handle his line, bringing the recommendation of his own experience to bear on this point in stating that there should be one dealer to every 1,000 population.

Another company selling kitchen equipment points out a way of proving to the dealer that a real demand exists for its product in a town by giving an estimate that, in a typical territory, 40% of the families do not have this particular piece of equipment. In a town of 50,000, or 10,000 families, therefore, a new market exists for 4,000 pieces of equipment. In addition, the other 60% represents a replacement market. Since the product is one which may be used in every home, there is no serious difficulty in picking out the groups of prospects.

Another company selling gas stoves gives this set of instructions to its salesmen under the heading, "Preparing Your Case." "Know these things about every town before you even think of approaching a dealer":

1. Total number of families in trading radius
2. How many gas meters in trading radius
3. Cost of gas per 1,000 cubic feet
4. Is gas satisfactory in quality, quantity, and price?
5. What is source of income of population?
6. Circulation of the present paper
7. Rate per inch for advertising space
8. Total cost to run each sales plan

A correspondence-school manual states that the prospects for the course include the majority of adults in every community. Prospects are obtained by direct approach through national advertising, the assistance of graduates, of active students, circular distribution, and other local advertising, by the cooperation of employers and educators, and by the use of window and shop displays.

PROSPECTING

The task of finding individual prospects as part of an analysis of a market includes, first, a classification of buyers on the basis of products and their uses according to the past experience of the company as revealed in the record of sales. This classification of buyers will reveal those who have a common interest in the product. For some of these classes individual names may be furnished to the salesman; he may be furnished with customer lists and with prospect lists which the house has developed through its advertising and through its research work carried on by its sales and advertising departments. These prospect lists may be built up from directories, purchased lists from mailing-list concerns, lists of clubs, and lists of important members of various societies. Such lists may be compiled by the salesman himself without referring to the house. The salesman may build up his own prospect list on the basis of cold canvassing—probably house-to-house calls on dealers to determine which class of dealer will be a prospective buyer and which should be eliminated. The salesman may build up prospective lists on the basis of news items by utilizing every bit of information which will indicate the probability of the existence of wants to be satisfied by purchase of the salesman's goods.

One of the first facts that both the house and the salesman must recognize is that prospects are of unequal value. First, there is a difference in the degree of need and recognition of that need for the product which the salesman is

selling. The prospect with the new motor-car is less apt to buy than one who is using an old, out-of-date car. The dealer with a stock of products is not as readily sold as the one who is out of the particular product which he normally carries. The dealer handling a line of trade-marked shoes is a poorer prospect for another manufacturer of a similar grade line than one who is not handling such a line. The bank in a town of one thousand has less need for an elaborate bookkeeping installation than a bank in a city of one million. Furthermore, a prospect for an automobile sale who has never driven a car and who has no desire for a car is not as good a prospect as the one who has been accustomed to using a car and has established habits which require its use.

In the second place, differences in purchasing power render prospects of unequal value. The only type of prospect of interest to the salesman is one who can make his demand effective. As a prospect for a Cadillac car the skilled workman is poor, because of his lack of adequate purchasing power. As a prospect for a low-priced car, however, he may rank high. The number of orders for pipe organs from moderately wealthy prospects is small, not because there is lack of desire, but because there is lack of purchasing power.

Prospects are of unequal value to the salesman, in the third place, because of differences which exist in the willingness to purchase, with no limit either to need or purchasing power. The salesman in certain communities may meet strong competition from other salesmen. Where competition is strong, a prospect is less valuable than a prospect who has the same need and the same purchasing power in a community in which there is no competition. On the other hand, the existence of competition may call attention and create a market for the product which may offset the differences in prospects. Again the willingness to purchase is important. For instance, a prospect for a phonograph may be a better one in a community where radio has not yet gained a hold, than in the community in which radio has

become a craze; not because they both fulfil exactly the same need but because there is competition for the special desire of the individual who cannot and will not purchase both.

Finally, the previous relations of the buyer with the house or with the salesman will affect very definitely the willingness to purchase. If those relations have been unpleasant or unsatisfactory, the prospect is a poorer one than if those relations have been comparatively pleasant and satisfactory.

The practicability of classifying prospects as to value is shown by the practice of a number of companies in presenting their estimates of sales possibilities on such classifications.¹

A further problem of the salesman who is selling to a

¹A company manufacturing approximately 150 varieties of food products, packed in cans, bottles, and cartons, sells both to wholesalers and retailers. As the result of a market investigation, it has come to the conclusion that in most cities approximately 75% of the food products similar to those it produces, are distributed by about 35 stores in the city.

The advertising manager of this company was of the belief that 40% of the population purchase 70% of the products, such as his company made. In order to ascertain the facts, a market investigation was carried on in a large central western city. The city ward was taken as the geographical unit of measurement and several indices were used to indicate the character of the population, such as the percentage of native white, the percentage of illiterates, and the density of population per family dwelling. The other indices, used to indicate the relative purchasing power of the population, were rental values, percentage of homes owned, and the percentage of families owning automobiles. An average was struck for the city as a whole, and the different wards were grouped together as being above or below the average. The result was that sales effort in that city was concentrated in about one-half of the geographical area, although the other half was not ignored. It was found that there were about 300 desirable retailers in this territory, although there were approximately 3,000 in the city. Although the salesmen continued calling upon all their regular customers, they called more often and aided the dealers on the selected list more fully than the remainder. During the first month under the new plan, sales were equal to the orders for the two preceding months.—Harry R. Tosdal, *Problems in Sales Management*, A. W. Shaw Company, Chicago, 1925, pp. 159-163.

The Harvard Committee on Economic Research offers, to business men, the Harvard Economic Service, prepared for business organizations which are interested in business fluctuations and long-time trends. The service sells for \$100 a year. In 1922, when the officers decided to locate and solicit the potential market for their service, they studied five specific problems; namely, (1) the size, and (2) nature of the prospective customer's business; (3) its geographical location; (4) the size of the city in which it is located; and (5) the proper official within the organization to solicit.

variety of buyers is to determine who really makes the decision with regard to the purchase. In the case of manufacturing enterprises, the purchasing may be left absolutely with the purchasing agent who makes all decisions. On the other hand, purchases of large amount, or, in some cases, even of smaller amounts, may require the confirmation of a superior officer. Sometimes this confirmation is a matter of control only, so that the salesman finds it unnecessary to approach the confirming officer. At other times, the purchasing agent is inclined not to make purchases without the encouragement, or, at least, previous consent of the executive or official who makes the final decision. In the case of selling new equipment to the manufacturer of automo-

The investigation was carried on by means of a series of mailing campaigns, all of which were keyed and carefully checked. First, they found that it did not pay them to approach, either directly or through the mails, business organizations capitalized for less than \$300,000. Such a decision gave them a mailing list of approximately 24,000. It was then divided according to industries.

Another test campaign brought out the fact that electrical, iron and steel, paper, rubber, silk, and wool industries, for example, offered greater sales opportunities than did the coal, flour, food, lumber, or meat industries. They found out, also, that only those manufacturers or preparers of food products capitalized for \$1,000,000 or more were profitable prospects, while wool manufacturers of less than \$300,000 capitalization might be good prospects.

An attempt was made to adjust these results for geographical location. It was found that there was a greater responsiveness in the East and that it grew less and less as the western territory was covered. Another adjustment was made for the size of the city, in or near which the prospect was located. Much to their surprise, they found out that cities of ten to twenty-five thousand offered greater sales possibilities than those of any other size, while cities of 1,000,000 and more showed a very low percentage of sales per 1,000 prospects.

Finally, a study was made to determine who sent in the order; what officer within the concern should be addressed. It was found that 71% of the orders came from either presidents or treasurers.—*System*, April, 1925. p. 555.

A large manufacturer of adding machines, whose salesmen sell direct to the users, has worked out a sales quota, one-half of which is based upon the number of machines in use while the other half is allotted according to the number of business enterprises.

A sales quota for the entire United States is first established. The value of the machines in use is obtained from past sales records, which are occasionally checked by the salesmen in their various districts, who report dis-cards or the purchase of second-hand machines. The ratio between the

(Footnote continued on page 178)

biles for use as a standard equipment, it may be necessary to secure first the consent and approval of the chief engineer before the matter may be taken up for consideration by those directly in charge of purchasing. In the case of sales to household consumers, decision may be made by one or by several members of the household jointly. The husband may find it necessary to consult the wife, or the wife her husband, before the purchase is made. In such cases, the salesman who has endeavored only to demonstrate to the one the applicability of his product to the wants of the buyer, may find that he has failed because decision rests with some one else.

(Footnote continued from page 177)

known quota for the entire United States, and the value of the machines in use in the United States, is maintained for each district, where only the value of the machines in use is known.

In order to obtain the other half of the sales quota, it is not only necessary to find out how many business enterprises there are in each district, but to classify them according to size and credit, in the following manner:

BANK CLASSIFICATION

- Division 1. Banks with deposits over \$5,000,000.
- Division 2. Banks with deposits of \$1,000,000 to \$5,000,000.
- Division 3. Banks with deposits of \$400,000 to \$1,000,000.
- Division 4. Banks with deposits under \$400,000.

FINANCIAL CLASSIFICATION

One division for all financial and investment companies.

GOVERNMENT CLASSIFICATION

One division for all government offices and departments.

PUBLIC SERVICE CLASSIFICATION

One division for all public service companies.

MANUFACTURERS' CLASSIFICATION

- Division 1. Companies rated over \$35,000.
- Division 2. Companies rated \$5,000 to \$35,000.
- Division 3. Companies rated under \$5,000.
- Division 4. Companies not rated.

WHOLESALEERS' CLASSIFICATION

- Division 1. Companies rated over \$35,000.
- Division 2. Companies rated \$5,000 to \$35,000.
- Division 3. Companies rated under \$5,000.
- Division 4. Companies not rated.

RETAILERS' CLASSIFICATION

- Division 1. Companies rated over \$35,000.
- Division 2. Companies rated \$5,000 to \$35,000.
- Division 3. Companies rated under \$5,000.
- Division 4. Companies not rated.

(There were factors for the four groups of machines which the company sold to these various classifications of business enterprises.)

The sales quota for a particular district, then, consists of some percentage of the value of the machines in use in that district, plus a specific value placed upon different types of business organizations, classified according to size or credit standing.

In the case of selling to retailers, the actual decision may be made provisionally by the buyer, subject to approval by a superior. As will be noted later, in most large buying organizations, particularly those of department stores, confirmation by the merchandise manager is required before the goods may be shipped. In some such cases, this means that the salesman who is selling a large proposition must get in touch with those who ultimately control decisions. In other cases such procedure is absolutely forbidden.

SOURCES OF INFORMATION UPON THE MARKET

The salesman procures his knowledge of the market and of the buyers from a number of different sources of widely varying value:

1. The salesman entering on the new sales task may draw upon his general information for some of the knowledge which he needs in selling his different types of products. It is obvious that two limitations, namely, the range of general information possessed by the salesman, and the specific information needed for a particular product, will operate in making this general information insufficient for the selling of any of the more important types of products.

2. More important from the view-point of the salesman is, obviously, the experience which he may have had in selling to customers or buyers of similar classes. While his general information as to classes of customers and as to wants and actions of buyers will depend upon the amount of experience and contact he has had with other persons, previous experience along similar lines will be more valuable, because those contacts are precisely of the type which are needed in his new sales task. But even though he has not been selling the same type of product, such contacts are valuable and such experience with buyers who constitute the market will help him to judge other buyers' wants, to satisfy them more successfully, unless he has acquired preconceived

General information
Specific information
Experience in selling

notions not warranted by fact, or has fallen into bad habits which he finds it difficult to break.

On the other hand, the salesman who plans to sell to purchasing agents of manufacturers, or to expert buyers of large retail establishments, or to large wholesale consumers, will find that his knowledge derived from contact with consumers in a retail grocery store, or in a department of a department store, will not give him much background that will be of value. Previous experience, therefore, to be most valuable in giving the salesman knowledge of the market must be confined to buyers of the same general class, whose wants and desires are not radically different, and more particularly whose methods of determining and deciding upon the satisfaction of fundamental wants and desires are essentially similar.

Some types of goods are sold so definitely to consumers on a basis of emotional or sentimental appeal that there is no question about the way in which the proposition shall be presented to them. On the other hand, the same goods may be purchased on the basis of careful reasoning and comparison of sources of supply by the retailer or wholesaler who deals in such products. Consequently, the salesman whose experience has consisted in selling to consumers would have to acquire new methods, more complete knowledge, and be able to present his proposition through reason and argument rather than on an emotional basis.

3. The sales manuals of some companies, as mentioned above, provide certain directions for the salesman in analyzing his market and in approaching and sizing up buyers. The hints given in sales manuals are usually very meagre and the majority of sales manuals contain nothing whatsoever with reference to the buyer, expecting that the salesman, with a knowledge of the product, will acquire knowledge of buyers and present the proposition effectively. Most companies who have produced sales manuals apparently assume that every group, or every person, is a prospective

buyer, or that the market is so well defined that it should be obvious to the salesman. These assumptions are unwarranted.

4. The salesman in his contact with officials and executives of the company, either during his training course or informally in the period spent in the house prior to going out in the field, or on the occasion of a periodical visit, gets some definite information and some hints as to buyers and the market in general. Sometimes he is allowed to look over the customers' list and prospects' list which may have been compiled. If elaborate records are maintained, he may be able to get from the files at headquarters the names, purchases, and other data concerning actual and prospective buyers. Obviously a company which aims to build up a complete business has and must maintain a list of customers upon whom the salesman is to call. This furnishes the starting point for the salesman's work, but his success in his initial calls will, in no small measure, depend on the completeness of his knowledge of the previous experience of the customer with his house. The customer is ordinarily not inclined to explain and repeat facts concerning his relationship with the house when changes in the sales force are made. If he repeats, complaints may become stronger and the ill will engendered by such complaints be increased. There is no excuse for the salesman who is out to take care of an established trade for a seller, not being provided with at least the elements of information concerning customers, but that information should consist of facts and well-considered opinions and not of hasty judgments as to the character of the particular prospects as customers. In other words, the misjudgments of previous salesmen or executives should not be perpetuated.

5. A salesman may secure some knowledge of the market from advertising and sales literature other than the sales manual. Advertising may be directed toward particular classes of prospects.

*advertising
and sales literature*

*contact with officials
and c*

6. The salesman traveling through his territory will be able to pick up a good many bits of information about the market and about specific buyers from other salesmen with whom he comes into contact. While such information is not always reliable, there is a community of interests, at least among salesmen of non-competing groups, which makes it beneficial to them to exchange information for mutual advantage. Care should be taken, however, in receiving information, to avoid ill-considered opinions and judgments; and in giving information, care should be taken not to give more than actual facts, because opinions are hard to prove, and, if adverse, may find their way to the customer and create an embarrassing situation.

7. The salesman may get information as to the market from the sales department, on the basis of analyses made by or for the sales organization as a whole. In so far as this work is carefully done, it furnishes a valuable starting point for the salesman's study of the individual prospect. Analyses which make careful estimates of the number, location, purchasing power, and wants of classes of buyers in the salesman's territory help him to visualize his prospect and give him an orderly ground work upon which to build the structure of market information which is essentially useful to him in conducting the individual interview. It must be recognized that in many cases these market analyses are faulty; that they are based upon general information and do not take account of exceptional conditions of a local nature. For instance, an analysis of a market, based upon per capita consumption of the United States, would utterly fail in a certain New Mexican town in which the population consists of 1,200 Indians and one white man. The more carefully these estimates are adjusted to local conditions, the greater help they render to the salesman. One of the most satisfactory methods of judging the value of particular markets will undoubtedly be developed by cooperative action of various companies selling similar products who pool

figures of actual sales by counties in order to determine the relationship of each county's actual purchasing to the purchasing of the states and of the nation. Since this is based upon actual past performance of a sufficiently large number of counties to give representative data, the results are undoubtedly more reliable than those which are based upon pure estimate without knowledge or ability to take into consideration local conditions.

8. The salesman may secure some knowledge of the market from reading, but the sources of information which can be consulted are of such a general nature that ordinarily they are of little value. The retail salesman may consult the manuals upon retail salesmanship and upon selling of particular types of goods in so far as an analysis of customers is taken up. But aside from the very general works dealing with human wants, there is little that the salesman can secure from general reading, although directories constitute a very valuable source of data upon prospects.

9. A very important source of information is furnished by customers and prospects themselves. The salesman who establishes relations with customers can help the customer by giving information regarding the product, methods of resale or use, in order better to satisfy needs; he can in turn be helped by the customer who can supply information as to his own wants and the wants of buyers of his class, and sometimes specific information as to other buyers, usually in the same community. In fact, many salesmen look upon satisfied customers as one of the best sources of knowledge of prospective buyers and as a source of knowledge of facts which will enable them to approach these customers more successfully.

*By customers
and prospects
themselves*

By Reading

VII

PLANNING FOR PERSONAL SELLING

Types of planning for personal selling. Fixing the salesman's task. The salesman's quota. Planning equipment of the salesman. Planning the salesman's work. Planning to reach buyers or prospects. Reaching the prospective buyer by automobile. Planning the interview. The standardized sales presentation.

THE effective performance of any task requires wise planning; to this the personal selling task is not an exception. To secure the desired amount of work at the minimum cost, the desirable outcome from the point of view of the sales manager requires planning, just as getting the most out of the efforts, and developing his own powers to the utmost, requires planning for the salesman. There are two reasons why the individual salesman should undertake to plan his work carefully. First, there is his desire to increase the quantity of work that he does, and to increase his accomplishment with less than proportional increase in energy or time expended.

The salesman wastes a great deal of time. He wastes it in waiting, he wastes it in not being at work when he should be at work, he wastes it by careless planning; he fails to plan his work and must then exert extra energy to obtain the results he desires. The extent of this waste is measured by the results obtained by the company in comparison with the amount of time which the salesman puts into actual selling contact with the prospective buyer. One company found only 15% of the salesman's working day was occupied by actual selling in the presence of his customer. Another company found that only 45 minutes every day was spent by the average salesman in selling in the presence of his prospect. But, that does not include all of the waste,

as part of the 15% of that 45 minutes is wasted because the salesman has not learned to know his product, nor has he learned how to present it. The salesman also wastes time because he is using an unnecessarily large amount of his day in getting from place to place. There is some necessary loss because of the difficulty of transportation, because of train delay, and because the necessity of taking time to get from one customer to another cannot be eliminated. Only that portion can be called waste which is unnecessarily caused by poor routine, by so carelessly arranging the work of the day that routes overlap. The salesman is responsible for much of this, and particularly for the waste of time during the day when he is given charge of planning his work. The salesman is also responsible for such waste of time as occurs in the course of the interview itself, when preparation in the way of knowledge of the product and the knowledge of how to present it have been made available to him by his house.

But one cannot lay the entire blame for ineffective utilization of the salesman's time upon the salesman himself. His employer at times does not give him the information which he really needs as a basis for a good selling interview. Too many houses have not provided their salesmen with information of the individual products which would enable them to sell indefinitely. It is true that this defect is much less common than the fact that the salesman is too lazy or too shortsighted to make best use of it. Second, when the sales manager takes charge of the routing of salesmen, he may not take account of all the factors which affect the proper scheduling of the salesman's trip, and may, therefore, cause waste of time which is not chargeable to the salesman. Again, the equipment with which the salesman is furnished may cause waste. He may be furnished with trunks which slow up his trip, when trunks are not at all necessary as a means of selling the product; or the salesman may not be furnished with an automobile in a territory where effective use could be made of one.

TYPES OF PLANNING FOR PERSONAL SELLING

The primary difference between business management which is based upon scientific principles and business management which is based upon guess or rule-of-thumb lies in the amount of planning. Likewise, in personal selling, the primary distinction between selling which is effective and economical and based upon scientific principle, and that which is not, rests upon planning. Wise planning requires a knowledge of what is to be done and a knowledge of the methods to be adopted. In the case of personal selling, there are several different phases of planning.

1. The salesman's task. The salesman's task may be set by himself or by his employer. The task which the salesman sets for himself may be a sort of goal toward which he finds it necessary or advisable to strive. The salesman may, without any help or advice or pressure from the employer, fix the volume toward which to work at a figure sufficient to give him a certain amount of earnings. The salesman may fix a goal by reference to the performance of others, both as a means of satisfying his desire at least to equal his fellows in performance, and as a means of maintaining his connection with the employer. Or his own "drive" will cause him to fix a goal to give him the satisfaction of accomplishment.

The house may fix his task by requiring of him a definite performance, a given number of calls, a definite amount of sales, or other types of work. This frequently takes the form of a sales quota, which will be discussed below.

2. Planning the equipment needed for the salesman's work, including samples, photographs, models, advertising material, and so forth, in addition to sales manuals and equipment for making reports and taking orders.

3. Planning the salesman's work in detail either with or without the fixing of a definite task. The traveling salesman who does not do a minimum of planning or who does

not have his planning done for him will waste much time, effort, and money. The planning of the salesman's work includes:

- (a) Planning calls, the order of interviews, and other selling work to be done within the period for which the plan is made;
- (b) Planning to get to the buyers or prospects;
- (c) Planning the details of the interview either for a single buyer or for several buyers.

FIXING THE SALESMAN'S TASK

The desirability of fixing a task for the salesman, whether he does it himself or whether it is done for him, cannot be questioned. A man's performance is always better when there is some goal to strive for. His aim is always surer when there is a mark to shoot at. Increased effort on the part of the salesman should result in greater satisfaction both for himself and for the employer. In other fields of work, it is customary to fix a task. The man who attempts to accomplish something divides his work up in such a way as to determine what should be done every day and has a basis for judging his relative performance.

The salesman's task is more or less fixed by implication. He discovers that he is constantly being judged on some basis or other. The sales manager may judge his performance in terms of volume of sales, in terms of profits from his sales, or on some other basis. Sometimes this judgment is hasty; more frequently it is based on an inadequate degree of knowledge of actual performance and is made with a more or less illusory or fluctuating standard of performance in mind. The salesman discovers that he is being judged, particularly, when the question of revision of salary comes up or when decision is being made on transfer to better territory or promotion to the rank of junior executive. Sales managers are constantly asking for greater sales effort from their salesmen, frequently with only a vague idea as

to exactly what should be expected. Most sales managers know of special instances in which the unexpected has happened in the increasing volume of sales. They know of instances where a change in compensation brought out an undreamed-of performance on the part of the salesman.

Sales managers frequently set the performance of some other salesman in the sales force as a basis for judgment. The wider his experience, the less he tends to use another; but not a few sales managers have used "star" salesmen as standards by which to judge the performance of all of the men on their forces. The method may do injustice both to the sales department and to the men under him. The performance of certain star salesmen may be, however, the result of unusual ability or unusually favorable circumstances. In sales work, as in other types of work, the bulk of that work must be carried on by men who do not have unusual ability but who are average men who do average work. A task set in this way is therefore set in a retroactive fashion; it is only something in the mind of the executive by which he judges actual performance. It has none of the stimulating influence of a definite task which furnishes the salesman with something to strive for.

a task or goal

The salesman should either himself set a task or goal, or a task should be set for the salesman. First, it makes for more orderly planning of time and for more systematic work, with the result of greater accomplishment. Second, because the setting of a goal is an incentive to salesmen to use their power and ability more nearly to their capacity. Where there is no direct goal, it is easier for the salesman to get sidetracked, to spend his time on non-essentials, to waste a half-hour here and a half-hour there, with the result that the amount of productive time is reduced very materially and the amount of productive selling effort correspondingly diminished.

However, objection is urged both by sales managers and the salesmen themselves on the ground that the work of the salesman is so peculiar in its nature, and the differences be-

tween different salesmen and different territories are so great that setting a task is next to impossible. It is true that there is some force to this objection, especially in connection with the introduction of new products for which the market is not definitely known. But such cases are the extreme and do not include the large majority of products or businesses in which selling tasks have been performed month after month, year after year, with such regularity that a careful study will enable more definite tasks to be set than are being set at the present time. A more serious objection to setting the task for the salesman is the uncertainty which exists among salesmen themselves and among sales managers as to the duties of the salesman and as to the best methods of performing those duties. The brief discussions of duties of salesmen¹ have shown that there is no one best method that can be applied under all conditions. But this argument is one, not against fixing a sales task, but against fixing it in such detail as is characteristic of certain other occupations. A further objection is that since there is naturally an element of estimate and guesswork in fixing the sales tasks, the estimates, if tied up with the compensation system, must lay stress on only a few of the essential duties.

In fixing the sales task, the salesman may attempt the very simple expedient of setting for himself the goal of increased business this month over last month or last year or he may fix a definite amount which he is to sell during a period. One noted salesman determined the amount necessary to cover living expenses and fixed as a goal the completion of a sufficient amount of sales during the first two days of each week, leaving the remaining four days in which the profits from his sales on commission basis were added to his capital fund. The salesman may fix himself a definite amount of calls to be made, a sound precedent in many lines, because it has been established that there is a fairly strong relation between the number of calls made and the amount of sales. More frequently the salesman who

¹ See Chapters II and XVIII.

tries to plan his work starts in by planning to put in a definite amount of time selling each day. This and all the other means are, of course, to be commended if they tend to eliminate waste and increase the amount of selling time of the salesman. Considering the very small portion of the day which is put into selling, in the presence of the prospect, the possibilities of careful planning are easily perceived.

THE SALESMAN'S QUOTA

A sales quota is a sales task set for a sales organization as a whole, for a sales branch, a sales territory, or a salesman, which represents anticipated experience or hoped-for accomplishment. The usual basis of measurement of the task is the volume of sales, whether in dollars or in volume of production. An estimate of the task in terms of dollars is more convenient from the view-point of figuring profits, expenses, and percentages; but the main objection is that it does not permit as true a picture of the change in actual volume of goods sold, particularly in periods of rapidly fluctuating prices, as does a quota expressed in volume of product. Where the quota system is part of a general budget system, it is obvious that the volume of production is of much greater importance to the production department than is the volume of dollars representing that volume of production.

The system of basing judgment on "points" is sometimes used. In the case of the National Cash Register Company the "point" in measuring sales is \$25. This is also true of some of the office appliance companies. An advantage is the fact that the number of points in a quota and in actual performance can be published without divulging information as to the volume of sales, except to those who are able to ascertain the value of a point. The point system may be used also to express a quota or task which takes into account tasks not usually included. The salesman's quota of "points" may be accumulated also as the result of perform-

Points system same of dollars.

ance of tasks other than those of securing orders. Points may be given for sending out proper reports, for doing advertising distribution work, for installation of window displays, for making calls, for doing other resale work, and the like. Although this system is unusual and the quota refers ordinarily to not more than a sales task, it is one which may be developed in many ways.

The sales quota is sometimes the work of the sales manager who, without consulting the salesman, makes an estimate of possibilities of territory by examination of sales in the past, and sets quotas for the men in the various territories for the coming period. In one firm, which has an elaborate quota system, these estimates of sales for the coming period are made by the salesmen themselves. They are revised in consultation with the branch manager and then go on to the home office where they are examined by an expert statistician and the vice-president. They are then discussed with the production manager and are finally examined and approved or remanded for revision by the president of the company. The sales quota is sometimes made by the salesman with the help or the encouragement of the sales manager. The salesman is asked to give an estimate of his performance in the territory during the coming period, or to place himself in a group of those who promise high, medium, or low sales. The danger is that sales quotas are not equally set. The optimistic salesman gives a quota higher than he can probably secure and the conservative salesman will set his much lower than he is likely to obtain. For the first, therefore, the quota is not desirable because the goal is too far above his actual accomplishment; for the second, the quota fails to furnish incentive.

The quota, if it is to be scientifically made, should be based upon the facts as they appear both in regard to past performance and in regard to market possibilities. Past performance is a definite thing in so far as records and accounts are available. The market possibilities, however, on the other hand, are vague and general. As was discussed in

Chapter VI, there are a few products for which accurate market estimates can be made. The most that can be claimed for many analyses of market possibilities is that they are somewhat less inaccurate than pure guesses upon the basis of which sales managers have to work.

When the sales manager decides upon the quota system and is engaged in developing it, the question comes up very soon as to whether the quota is to be based upon the salesman or upon the territory. Should the quota take account of the weaknesses of a particular salesman? Should a good salesman in a poor territory be given a larger quota because he is a good salesman or a smaller quota because he has a poorer territory? It is evident that estimates based upon past sales do take account of the performance of the salesman. The salesman of average ability transferred to an average territory formerly worked by an unusual man may be assigned a quota which is much too high if past performance only is taken into account. On the other hand, for some types of product, the market which has been developed, and in which the product is known, is much superior to the market in which there has been little development. In all cases, there is some point beyond which selling meets increased resistance because of the larger amount already sold.

The salesman's quotas may be tied up with estimates which form the basis for the operations of the entire company. In such cases, the estimate or quota must be conservative and must represent what can be accomplished and what, in the absence of very unusual conditions, may be expected in terms of actual results in the course of the year. A large rubber company, whose sales run into the millions, makes its sales estimates for salesmen and sales department so accurately that for a period of four years the performance each year has come within one-half of 1% of the estimate. In this case salesmen have definite tasks just as they have definite ratios of expense. The result has been a steadying of employment for the entire enterprise, for the

production department as well as for members of the sales department.

The advantage to the salesman of cooperating by accepting and reaching his quota, therefore, lies partly in the fact that by helping other departments, deliveries are rendered possible when promised, goods are on hand for the sales department when they are sold or are to be sold, the finance department is able to finance the sales when financial assistance is needed, and advertising and other help can be provided when they will be most effective.

The objections to the quota plan come merely from the abuses and dangers of inaccurate quota and of impartial quota where quotas are not set on the basis of sales possibilities but on the basis of whim, prejudice, and guess. Poor sales with a high quota may discourage some men because they feel that they cannot come up to the standard of performance required of them. The salesman may feel that he is being discriminated against by his high quota, while some other salesman who is able to reach his quota does so because his is not so high proportionately. These are not arguments against the sales quota but arguments against its use when a quota cannot be made accurate or when a quota is not carefully planned in such a way as to convince the salesman of its essential soundness. The statement is sometimes made that the sales quota should be made on a purely mathematical basis in order to put every salesman on the same plane. It is true that sometimes it is possible to arrive at some mathematical formula which will be sufficiently accurate and impartial to serve for all territories, but such formulas are successful because they set definite tasks which are well within the bounds of possibility and not because they are mathematically accurate. Territories and men are too unlike to be grouped together promiscuously. The quota systems as established by many companies show variety of practice. The quota of a large adding machine company is based on the relations between the total sales quota which represents production, on the

basis of the number of mercantile enterprises, and the number of machines in use.¹

PLANNING EQUIPMENT OF THE SALESMAN

The automobile furnished the salesman may be regarded as part of his equipment but it is essentially equipment for transportation from place to place and may furnish definite and convenient means of transporting other selling equipment. In planning the salesman's equipment, however, reference is usually made to the other types of equipment rather than to the automobile. In the salesman's work, he should have all the aid which can economically and effectively be used. This includes data on his product which will be in clearer detail than those which he can trust to memory to recall. He may have samples of one sort or another. He may have models for his product or materials and apparatus for demonstrating their quality and use. He may have photographs or advertising material for the purpose of helping him in the work of conveying ideas to the retailer or buyer, such as have value in satisfying consumer wants or the resale value of his product.

The selling equipment of the forerunners of traveling salesmen consisted of nothing but the product itself. Sales were made in bulk and there was no need for samples or special methods of conveying ideas concerning the product to the prospective buyer. The first important development was the sample, a development which was impossible until the general level of commercial ethics was raised to a point where the buyer could be assured that the product delivered would conform in quality and appearance to the sample. The further development of selling by description has made it possible to dispense in many cases even with the use of samples. Such development has been materially aided by the improving ethical standards of advertising and personal selling. But the most efficient and economical use of de-

¹ See footnote, p. 176.

scription alone requires a degree of consumer confidence which even today is lacking. While truth in advertising has gained great headway, exaggeration and superlative statements are still common.¹ In other cases, the development of lines of goods to such a point that the carrying of a complete line of samples was difficult and uneconomical compelled the introduction of a substitute method. The description of the salesman, the use of catalogs, the use of photographs, and the like, reduced this amount.

Samples. Next to the product itself, the sample is undoubtedly the most satisfactory piece of equipment, particularly if the product is one which is unknown and one in which the quality is perceptible. There are reference samples, selling samples, samples of certification of quality, but the only type which is involved here is the type of sample which a salesman carries as a means of conveying to the prospective buyer information about the product.

The sample has a distinct selling advantage from the view-point of the sale in that the buyer can feel it, can see it, can lift it. The description of the physical characteristics of the product is much facilitated and, if the sample can be demonstrated, the most effective presentation has been made. But where lines are extensive, the problem of expense and difficulty of carrying samples begins to loom large, and the development in the equipment of salesmen has been in the direction of cutting down the number and

¹The following assertions have been taken from a current issue of a national weekly magazine. They are the statements and claims of companies with national and international distribution—sales running into the millions—and which are competing with a very high plane of business standards. "Amazing responsiveness and remarkable flexibility are conspicuous—qualities." "The world's smartest, most comfortable, most economical—." "Incomparable —! For years it has been the national index of superfine — quality . . ." "The easiest starting car in America. A brand new conception in motor cars, different—radical—unprecedented." "A point that inspires writing; and gives one's hand the speed and character that win with the world." The psychological ineffectiveness of some of the above statements—a measure of their economic ineffectiveness—lies in the fact that they apply equally well to a rather wide variety of products.

See also *Sales Management*, September 5, 1925, p. 279.

size of samples carried and of relying more fully on description. The old-time traveling salesman used to make infrequent trips carrying huge trunks of samples. The expense of display-rooms and the expense of transporting of samples increased rapidly during the war. As a consequence, increased pressure was exerted to bring about an economical substitution.

Dispensing with samples is possible only if two conditions are fulfilled. First, the buyer must possess or be able easily to acquire requisite knowledge of the type of goods which he is purchasing. Second, the salesman must faithfully describe the goods which he is attempting to sell. Where goods are properly graded and those grades are standard, there is no need of samples in dealing with the professional buyer. Where goods are not standard or staple, or where the appearance and quality of the product are unknown to the buyer, it is much more difficult to dispense with the use of samples. The first stage in cutting down the number of samples a salesman had to carry was that of taking only one sample of a particular line and using photographs of one sort or the other to display the rest of that particular lot. The next step was to eliminate samples altogether, except for new products or products upon which the best selling effort was to be exerted. The practice of most companies has now reached that stage.

Another means of economizing in the use of samples is that of having a salesman set up a sample display in a central market of a particular section and invite his prospective buyer to come to the central market for the purpose of seeing a much more complete display than could possibly be shown in the buyer's locality.

If the question of the use of samples is settled in the affirmative, the problem of the method of displaying those samples must be carefully considered before the salesman starts out on his trip. It is possible to carry samples in great quantity and variety without making very much of an impression upon the buyer, because those samples may be

displayed in a very unattractive way and in a most unattractive sample-room. The samples may be displayed under most disadvantageous conditions. An experienced salesman, therefore, takes great care to plan as definitely for means of displaying samples as he does in the selection of the samples themselves. If he is displaying cut-glass, he provides a velvet background. If he is displaying other types of product, he provides appropriate accessories, so that prospective buyers who visit the sample-room or who examine the product will not obtain an impression which is unfavorable because the product is not shown in an attractive setting. Many ingenious devices have been developed for the display of samples, and many space- and time-saving devices of one sort or another have been developed in order to effect economies in display to the prospective buyer and in energy required by the salesman. Where the product is to be displayed, great care is used by many companies in planning special demonstration outfits so as to permit salesmen to demonstrate the product without the interruption or awkwardness which would detract the attention of the buyer from the general purpose of the demonstration.

Models. Next to samples of the product itself, come models of the product, particularly needed for new complex products. The model has the advantage of showing in replica the actual appearance of the article or of the product sold, and may, on a very small scale, demonstrate that product in use. Small working models of automatic stokers have been used by one company to demonstrate a product which obviously could not be demonstrated except by taking the prospect to some actual installation of the huge machines. While models are expensive, not infrequently as expensive as the product itself, they do convey a more definite idea than any other equipment the salesman can carry, except samples of the product itself. Therefore, for bulky and heavy products the model is an excellent means of demonstration.

Pictures. The third general class of equipment used by the salesman for the purpose of conveying ideas about the product is the picture, print, drawing, or photograph. These are growing in use and in usefulness, partly because of economy which can be effected by their use and partly because of the improvements in pictorial art which makes them an effective substitute for samples or models. In conjunction with the small number of samples which help to give confidence in the faithfulness of the pictures, it is possible for salesmen to convey definite ideas about the whole range of products with less equipment than otherwise. There is a Chinese proverb to the effect that one picture is worth ten thousand words, and it may be said that in conveying ideas about a new product this statement is absolutely true. Photographs or pictures not only show the product as it is, but can be used to show the product in use. The development of color printing and photography, a definite and accurate means of coloring photographs, removes one limitation which characterized the photographs of the past.

The prospective use of moving-pictures by salesmen should also be mentioned as a means of conveying information and ideas to the buyer. The equipment of the salesman with the motion-picture projector and appropriate films showing the manufacture and use of the product as well as facts concerning the sellers of the product, is comparatively rare in the domestic market. But not a few large companies find the use of motion-pictures a very desirable method of giving accurate and clear information to buyers, particularly those located in foreign countries. With such equipment, it is possible for the salesman successfully to convey knowledge concerning his product and concerning his house and in much shorter time than would be possible in any other way.

Printed matter. The fourth class of equipment with which the salesman is provided and which the salesman

needs is definite sources of information concerning his product and house, and the policy of the house, in such form that he can use it whenever there is occasion to do so. This includes catalogs, price-lists, and manuals which may give him information as to what the product is, prices of manufacture, where such are considered necessary knowledge for the salesman, and methods used by salesmen in presenting the product and in meeting objections. For complex products and extensive lines, it is unnecessary and sometimes impossible for the salesman to keep every detail in his mind.

Dealer helps. Another type of equipment consists of material used by the salesman for the purpose of helping the purchaser to resell. This consists usually of advertising material and advertising portfolios, samples of advertising, to indicate clearly to the prospective buyer the effort which is to be made to help the dealer resell the product. The salesman may find it his duty to carry window displays, folders, leaflets, souvenirs of one sort or another—sometimes as a means of developing good-will or attracting attention, but usually for the purpose of furnishing resale helps to the dealers. Through the samples of advertising frequently put up in attractive portfolio form the salesman is made acquainted with the advertising plans of his company and is expected to carry this knowledge of the advertising plans to the dealer, particularly since the advertising carried on by the manufacturer has a distinct selling value in endeavoring to persuade a retailer or wholesaler to buy. All dealers are naturally interested in resale possibilities, and advertising directly affects them. Some of these advertising portfolios include samples of all advertising material which the company issues or at least a description of all the material. The retailer is permitted to select the material which he needs, and it is then sent to him with his order. With such samples may be included the plan of the periodical campaign with advance proofs of advertisements which are to appear as well as plans of outdoor

advertising campaigns. It is with such equipment that the salesman is aided in his work of correlating advertising with personal selling.

An examination of types of equipment with which a salesman operates, together with a study of present-day tendencies, shows that equipment is used for the purpose of directing attention to the product and to the house, and for the purpose of facilitating sales through more successful communication of ideas concerning the product in its relation to the wants of the prospective buyer. The best equipment, therefore, is the one which conveys the most definite ideas concerning the product, provided that it does not violate too seriously the third requirement; namely, that the equipment of the salesman shall not be such as to absorb an undue amount of time and energy of the salesman.¹

PLANNING THE SALESMAN'S WORK

The salesman must plan his work as a whole, in its broader aspects, as well as the sections of the work which constitute his day's work. The planning of the salesman's work includes the planning of his trip, his method of scheduling, and planning for the efficient performance of his sell-

¹No mention is made here of the obvious fact that the traveling salesman must have supplies of stationery, forms for reports, as well as traveling requisites.

A national distributor of condensed milk equips his salesmen, who sell direct to the retailer, with a kit containing an electric disc stove, a heating pan, thermos bottle, 4 metal cup holders, wax paper cups, 4 spoons, 2 glass mixing spoons, and paper napkins. The salesman uses these in making coffee or cocoa for the retailer and any of his customers who may happen to be in the store at the time.

A manufacturer of rubber goods sends his salesmen out with no other than a few samples of fruit-jar rubbers and several sections of garden hose. The only equipment the salesmen of a magneto producer carry with them is a series of bulletins containing specifications and technical information. One paint company furnishes its salesmen with a portfolio, containing three books, one for the salesman, a second for the retail customers, and the third, a sales promotion portfolio, for the instruction of both. A second manufacturer of paints and insecticides gives his salesmen a case containing material which shows a number of insects, and the woods which they attack. A company which prepares pharmaceutical products for the market has arranged a sample case which contains literature, a confidential price-

ing work. It includes planning of equipment and planning for the interview. It is obvious that planning for the day's work includes merely the carrying out of details of routine in the particular locality, and carrying out the broader plans regarding the sale to individual prospects.¹ But, there is a difference in that the sales manager and the sales department should assume, and do frequently assume, a great deal of responsibility in respect to the general planning of the

list, and advertising portfolio. A nationally known manufacturer of collars equips his salesmen with a double portfolio containing samples of the new styles and an advertising prospectus.

A number of organizations send out miniature reproductions of their main products. A truck manufacturer, for example, produces miniature models, exact duplicates of the line which is sold by the salesmen. A company manufacturing and distributing industrial goods uses a set of toy clam-shell buckets, about five or six inches high, to demonstrate that product. The same method is used by other companies in selling a mechanical stoker, a concrete mixer, weather strips, and awnings.

The salesmen employed by a manufacturer of wall-board carry two 13-by-10-inch walls, one with a section showing the bare studding and the other of the same dimensions, covered with their product.

Manufacturers of highly technical goods—those who manufacture goods which are new or can best be sold through demonstration in use, such as factory cranes or steam shovels; or manufacturers of products such as concrete buildings or steam locomotives, which have to be sold in advance of manufacture, are giving their salesmen motion-picture equipment which permits the salesman to show the production, models, and uses of their products, in the office of the prospect.

¹The Fuller Brush Company's salesmen are compelled to plan their work as here quoted:

1. *The advance notice card.* This card the Fuller representative presents to the housewife a day or two previous to his call. Occasionally the card is put in a mailbox when the representative cannot find the housewife at home, but ordinarily, the representative takes time enough each day to place from 15 to 25 of the cards personally, giving them to the housewife and explaining that he will be around later and present her with a handy brush.

2. *The early morning appointment.* By hand-delivering his cards the day before, the representative is enabled to make five or six appointments for the first hour in the morning, or at least enough to keep him busy an hour, anywhere from three to four. The first hour is the hardest, because of the various hours people get up in the morning, and because of school children getting ready for school, and so forth. But men who are planning their time solve this by having appointments for the first hour. They are then enabled to get to work many times in the rural communities at 7:30 or 8 o'clock in any average community, and have no difficulty at all getting in four hours in the morning. Taking a short lunch-hour at noon, they have no difficulty in getting in four hours in the afternoon.

3. *Quick demonstration.* The Fuller Company tries to teach a man how to give an active demonstration, realizing that the demonstration is quite as important as what the man says regarding the brushes. They are taught to close the demonstration properly and quickly and leave the home promptly. By doing this the average representative in average territory, city or town, can make 20 demonstrations per day, and sell 10 orders. In rural communities not quite so many are possible, but the orders average a little larger sometimes in rural sections.

4. *When the Fuller salesman finds that a prospect is out.* So as not entirely to lose the value of his call, some of the salesmen leave a card.

salesman's work, while much more is left to the individual salesman in planning his individual day's work.¹

To plan wisely, the salesman must know of what his task consists, and it cannot be denied that a good many salesmen have been considered unsuccessful from the view-point of the house because they did not know, or did not want to know, what their duties were. The salesman usually assumes that his main duty is that of getting orders, and he is correct in the opinion. Many sales managers declare that "they want orders, not 'weather reports'." In other words, the emphasis is placed entirely on sales volume, and not upon other things which many sellers and salesmen consider the proper duties of the salesmen. It is obvious, of course, that the work of the salesman is primarily to consummate a selling transaction. But that work is a part of the distribution process, and the ultimate purpose is to effect distribution at the lowest possible cost if the seller is to continue to profit. Bringing about a condition in which sales are economically made, sometimes involves more than getting the immediate order. It involves developing goodwill which reduces the cost of subsequent orders.

It is obvious that no one salesman performs all the duties

¹The Dennison Manufacturing Company increased the productive selling time of its salesmen:

In two of our twenty-five selling districts, we have made up lists of prospective customers, and arranged them both by classes of trades and geographical locations and we have increased the district manager's clerical force so the clerical work of the salesman may be reduced to a minimum. Furthermore, the salesman's work is carefully planned out in advance of its execution.

For instance, take the case of the city salesman, who works out from the district office. When he arrives in the morning, the records of the prospective customers he should call on are ready for him in geographical order with a report slip for each of these several customers, which calls for a minimum amount of entries to give a complete story of the call. The samples of merchandise that will interest these particular customers are prepared and ready and also any information that will be of value to the salesman. When the salesman returns at noon, having gone as far as time allowed on his schedule, he simply turns in the samples, records, and reports he has been carrying with him in the morning and finds ready for him a complete new outfit for the afternoon.

We have found that lack of information about the prospective customers and what occurred in previous calls means a certain amount of time wasted in getting the lay of the land in every new call, to say nothing of the more intelligent reports that can be made when the salesman has the complete story of the prospect before calling.

Under this plan the salesman is furnished record cards plainly and neatly filled out, showing sales, last orders, items bought, date that prospect will be in the market, and any other information of value taken from report slips of previous calls. A glance at the card brings the salesman up to date while practically ten minutes or so of conversation would be required under ordinary circumstances.—HENRY S. DENNISON, before the Taylor Society.

which can be listed, but it is logical that as a first step, the salesman should find all those which he is to perform and for which he must plan. Before he can plan how best to perform those activities, he must know what they are. The salesman, therefore, should take the duties which he must perform, and plan for their performance so that after the necessary preparation, he brings about two results: first, the lowest possible time is spent in his interviews with customers, and second, the minimum amount of waste is involved in transportation and waiting.

In the detailed planning of his work, the salesman will determine the customers or prospects he is to visit during a day or week, definitely plan for return calls either to build good-will if sales have been made, to secure further sales, or to try once more to convince the buyer that his interests lie in the purchase or acceptance of the offered proposition which will satisfy his need. There are many methods and many details which will be taken up by the salesman who starts out to plan his work. Some of the insurance companies have worked out forms which enable the salesman to plan his work easily. At the same time the supervisors of salesmen from examination of plans and records can detect strength and weakness.

PLANNING TO REACH BUYERS OR PROSPECTS

To carry on personal selling, when the seller is compelled to go to the buyer, the need of careful planning to cut down the time required to the minimum is amply demonstrated by the few time-studies of salesman's work which have been made. It has been demonstrated that, in typical well-managed companies, the time spent in reaching the prospective buyer ranges from about 15% to only about 50% of the time spent in the field.¹ The problems of reaching

¹ Kenagy and Yoakum, *Selection and Training of Salesmen*, p. 121. A study made by the Dennison Company showed that 40% of the time of the salesmen studied was spent in transportation; 25% in clerical and miscellaneous work; 15% to 20% in waiting; and 15% in actual selling.

the buyer include routing, the choice of means of transportation, and gaining access to the buyer.

Routing includes, first, the order in which localities are to be visited by the traveling salesman, and second, the order in which customers are to be visited within each locality. The route list may be made out in advance of a long selling trip, or from week to week, or month to month, by the sales manager or salesman. In local selling it may consist simply of the list of customers and the order in which they are to be called upon in a single day.

The purpose of planning the route of the salesman is clearly that of increasing efficiency and avoiding waste. First, planning avoids waste because it prevents doubling back; a salesman moving in a direct line is not crossing and recrossing his route with loss of time and increase of traveling expenses. It becomes particularly important to plan carefully the traveling salesman's route because stopovers and doubling back may involve loss of time which seriously interferes with the amount of work he can perform. If one divides the cost of maintaining the salesman in the field by the number of days that he actually works, it becomes very clear that the house is a loser whenever the salesman is compelled to spend an extra day in a town because his route was not planned in such a way as to avoid missing the only connecting train.

Second, careful routing by avoiding waste is an incentive for the salesman to work more nearly to his capacity. He accomplishes more than if he makes no plans in advance, and drifts from place to place in pursuit of orders. Third, the carefully planned route gives the sales manager knowledge of the salesman's actions. The well-managed sales department will insist on knowing where the salesman is because the salesman is a representative of the house in the field, a definite part of the organization for contact with the public, and must, therefore, cooperate with the wishes of the organization in the accomplishment of the general purposes of the business. The salesman is benefited by

having the sales manager know his whereabouts. He can receive communications, such as information as to new goods, new methods of selling goods, information as to changes in policies, information as to increases, leads which may be developed, and information which he may have asked for in connection with particular problems put up to the sales department. Fourth, by increasing the number of calls and by more careful selection of live prospects, the territory is more effectively worked.

It is evident that the salesman's task is determined, in the first place, by the number of accounts;¹ that is, by the number of customers or prospective buyers upon whom he is to make calls. The number of calls which a salesman can make in a day varies widely. One salesman may have to make 350 trips before he can make a single sale, but the sale amounts to hundreds of thousands. Another salesman may make three sales out of each five calls, or even a larger percentage, but the volume of sales is comparatively small.

¹ Among business concerns employing traveling salesmen, there is a wide variation in the average number of customers handled by one salesman; likewise, the number of salesmen handled by one branch manager. The number of accounts handled by the individual salesman will depend upon several factors, among which are:

1. *Frequency of salesmen's visits to customers.* It is evident that the traveling salesman of a local jobber, who calls upon his trade once each week, can reach a much smaller number of customers than can the salesman of a territorial jobber who may visit some of his trade only every two or three weeks. The shoe salesman visits customers usually only twice each year and can handle many more accounts than the salesman for a biscuit manufacturer who visits customers every three weeks the year around.

2. *Location of prospects or customers.* A salesman can reach more customers of a given type in a metropolitan area than in a rural district. Many types of dealers vary closely in proportion to population. On that account, in the dense population of the East, more calls can be made than in certain far-western districts with sparse population. The policy of the company with respect to distribution affects the relative location of customers to be called upon. With exclusive agencies, each call will frequently mean to the salesman a trip between towns. The degree of intensity of distribution also affects the number of accounts the salesman is able to reach in the course of a month.

3. *The character of the product.* If it is seasonal, the visits will be made only during the buying seasons. If it is staple, standardized, and well known, then considerably less time is necessary for the salesman to handle the business with each customer. On the other hand, if the product is a new specialty requiring demonstration, or one of a technical nature requiring tests, the number of customers or prospects reached will be decreased in proportion to the difficulty of selling. The reputation and prestige of the selling concern will also materially affect the time necessary to make a sale, as will the amount of preliminary work done by the house.

4. *Transportation facilities.* Where transportation facilities are adequate, where there is frequent train service, or in cases where automobiles are available, many more accounts can be handled ordinarily than when frequent delay is caused by inadequate service.

It is true, however, that the number of calls which can be made in a day varies less widely than the volume of sales which can be secured by individual salesmen.¹

In the practical work of routing, the chief considerations are: (1) best utilization of the salesman's time; (2) lowest cost consistent with that utilization; (3) bringing the salesman back to headquarters or to his family as frequently as is consistent with cost; (4) overlapping of territories and routes. In building a salesman's route, it is first necessary, of course, to know the location of customers and prospects.

¹One rubber company believes that a tire salesman can take care of not more than 60 accounts, calling upon those accounts on an average of once a month, which means that about 3 accounts must be called upon each working day. A biscuit company with salesmen in local branches expects its salesmen to make from 30 to 50 calls a day, depending upon the density of the retail stores in the district. The salesmen of a rubber footwear company take care of 350 or 400 accounts each, but they call upon them only twice each year, and the salesmen of a straw hat company, calling upon customers once a year, likewise have several hundred accounts. (Table prepared by T. Sander, Jr. in a study for the American Management Association.)

NATURE OF BUSINESS— CONSUMERS' GOODS	FREQUENCY OF CALL	AVERAGE NUMBER OF CUSTOMERS PER SALESMAN	
		Cities	Outlying Territories
Candies.....	4 to 12 weeks.....	200	150
Fruits and vegetables.....	1 to 8 times per month.....	150	200
Canned goods.....	Monthly; bimonthly.....	1,500	1,400
Soaps and cleansers.....	6 weeks; 2 to 3 months.....	1,200	1,000
Flour.....	Weekly; biweekly.....		
Syrups.....	60 days; 90-120 days.....	200	135
Cereals.....	Biweekly.....	200	75
Fountain supplies.....	Bimonthly; trimonthly.....	800	650
Pharmaceuticals.....	2 to 12 weeks.....	400	250
Wholesale drugs.....	Daily to bimonthly.....	75	60
Shoes.....	Every few weeks in large cities..		
Shoes (wholesale).....	Weekly; monthly.....	200	100
Rubber footwear.....	4 to 12 times per year.....	500	750
Men's clothing.....	Semiannually.....	30	225
Knit goods.....	Weekly to bimonthly.....	200	225
Shirts and collars.....	Weekly to monthly.....		
Wholesale dry-goods.....	Semiweekly to quarterly.....	50	
Silks.....	2 to 3 times per year.....		
Ranges.....	Monthly.....	40	18
Plumbing supplies.....	Semimonthly; monthly.....		
Hand tools.....	Semimonthly to bimonthly.....	100	200
Household equipment.....	Weekly to quarterly.....	100	200
Kitchen equipment.....	Weekly to quarterly.....	250	
Electrical equipment.....	Bimonthly.....	450	
Cutlery.....	90 days.....	250	250
Silver-plated ware.....	Weekly to monthly.....	60	60
Hollow-ware.....	2 to 3 times yearly.....	600	750
Baskets.....	Monthly to quarterly.....	100	500

(Footnote continued on page 207)

The time to be spent in a particular locality will depend upon the number of calls made, and amount of time to be spent on each call. It is possible for any company to get this information where the number of customers or prospects is very large. Getting this information may proceed to the point where the individual blocks of a large city are analyzed. Then salesmen are compelled to call upon every house and apartment in a block. In this case, the estimate is chiefly for the purpose of preventing overlapping of territories, and providing for the most economical working of a territory.

The second set of facts needed for effective routing is information as to transportation conditions. For salesmen traveling by railroad, this means information as to train schedules; for salesmen traveling by automobile, information as to automobile roads, conditions, and the chances of weather interfering with the use of this form of transporta-

(Footnote continued from page 206)

NATURE OF BUSINESS— CONSUMERS' GOODS	FREQUENCY OF CALL	AVERAGE NUMBER OF CUSTOMERS PER SALESMAN	
		Cities	Outlying Territories
Toys.....	Once or twice a year.....		
Stationery.....	Weekly to monthly.....	250	500
Publishing.....	6 to 8 times per year.....		
Petroleum products.....	Biweekly.....	150	150
Tires.....	1 to 6 weeks.....		
Stock and poultry feeds.....	Weekly to monthly.....		50
Fertilizers.....	Biweekly.....		100
Advertising specialties.....	3 to 12 months.....	450	450
Typewriters.....	Bimonthly.....		
Other office equipment.....		350	350
Store equipment.....		1,000	1,500
Machine-shop equipment.....	3 times per year.....	200	200
Pumps.....	3 times per year.....		
Hoisting machinery.....	Quarterly to yearly.....		
Motor trucks.....	Quarterly.....	150	150
Electrical safety devices.....	Monthly to biannually.....		
Machine tools.....	Weekly to yearly.....		
Mechanical leather goods.....	Six months.....		
Explosives.....	Quarterly to annually.....		
Automotive parts.....	4 to 6 weeks.....		
Wholesale hardware.....	Weekly to monthly.....		
Paints.....	Biweekly to semiannually.....		
Vending machines.....	60 days.....		
Motion-pictures.....	Monthly.....	12,000	15,000*
Bakers' supplies.....	Weekly to monthly.....	150	250

*The large number of customers per salesman is accounted for by the fact that many theaters are under a single management.

tion. Other information concerning trolley service and bus service is of advantage in cutting down the amount of waste time resulting from infrequency of local railway service.

A third set of facts relate to the living conditions which can be furnished for the salesman during the trip. While from the point of view of cutting the traveling expenses to a minimum, the grade of hotel should have no effect, yet the salesman will frequently feel happier, and be in much better physical condition if he can overstep the rigid requirements of the straight-line route, and double back in order to reach decent hotel accommodations, which may not be available if his trip were to be rigidly planned or the fullest conservation for time for selling work required.

In the actual planning of trips, a common method is to send the salesman on a circular trip, on which he travels from one customer to another, returning to headquarters at the end of the trip. By determining the number of salesmen traveling from a particular center when the number of customers is larger than can be called upon weekly, it may be well to make the salesman's route consist of a number of circular trips in different directions from his headquarters, so arranged that he will be brought back to his home each week. A graphic representation of such a salesman's route would look something like a four-leaf clover. This plan also has the advantage that it enables the salesman to avoid some of the losses of time, arising from delays incident to changing trains at junction points.

The salesman, in endeavoring to keep down traveling expenses, may waste a good deal of valuable time waiting for trains. The experienced salesman knows that it is much better occasionally to double back on his trip to make two towns in a day, than to go to the first town, waiting a day each in getting over the string of towns on a particular line of railroad.¹

¹For instance, a salesman may save two days in making four towns—Headquarters—*B-C-D-E* located on a single line of railroad, when transportation accommodation is limited to one train down in the morning, re-

A variation in practice of sales departments has grown up with respect to the routing of salesmen. The practice of many houses, particularly those with smaller groups of salesmen, is to allow the salesman a great deal of freedom, practically permitting him to route himself. Other houses have found that this plan is wasteful and unworkable and insist upon a salesman's following a definitely prescribed route which is so planned as to enable the salesman to cover his territory economically and expeditiously. One can lay down no general rule except that it is to the salesman's interest, when a salesman is attempting to perform his task in the best possible way, to see that he follows the same principles in routing as those used by a sales manager in arranging a route for the salesman. From the view-point of the salesman, it is sometimes argued that the salesman knows his territory better than the sales manager, and that, therefore, he is better able to develop satisfactory itineraries than the sales manager in distant headquarters. That may or may not be true. For many sales managers, information in detail regarding customers and prospects and regarding transportation facilities is available so that they are in good position to establish reasonable and efficient routing.

A salesman who routes himself is, of course, in a position more easily to make changes in his plans which may be necessary for legitimate reasons. However, such changes can be made even where the routing is prescribed by the sales manager or by agreement of the sales manager with the salesman. It is true that the salesman is given more responsibility and, in a measure, more initiative is required where he makes out his own schedule of calls upon prospective buyers. Sometimes a salesman is able to plan his route so as to suit the convenience of prospective customers; though, where any considerable number of customers are to be called upon, it is usually unwise and expensive to follow the

turning in the afternoon. Going in a straight line, the trip would take four days; by going from headquarters to *C* and doubling back to *B* the first day, and on the second day, going first to *E* and doubling back to *D*, the four towns may be reached in two days instead.

whim of one who may or may not make a purchase. On the other hand, the sales manager who is conscientiously attempting to supervise and help his men to perform better work is at a distinct disadvantage if he does not have full and complete knowledge of the salesman and his work, both as to what he is doing and where he is working. Without advance knowledge either through an agreed itinerary or through prescribed routing, the sales manager cannot get in touch with the salesman so as to give him information or help which may be necessary for efficient selling.

Another primary reason for the practice of more progressive concerns in establishing the details of routes is the greater economy which can be secured thereby and the more intensive coverage of territory. Unless the route is prescribed, there is temptation for the salesman to do injustice to himself by skipping occasional calls. His territory is not properly covered, while the traveling expenses and salaries remain much the same. The fact that most salesmen are not working their territory as fully as it should be worked is demonstrated by the experience of many concerns which in dividing the territories of salesmen have discovered that the old salesmen make more sales and higher incomes in smaller territories than they did in the undivided and larger territories. Of course, there is a limit to which this division may be carried. The larger the number of customers to be covered within a limited time, the greater the necessity for careful planning of the salesman's route. It is frequently possible for the salesman and the sales manager to plan a trip in detail in advance so as to cover many more prospects with no greater expenditure of time, effort, or money. The gain comes through the fact that the very large proportion of unproductive time which characterizes every salesman's day is somewhat reduced by careful routing. The results are beneficial to the salesman as well as his company. He not only deserves a higher salary or receives a larger commission, but he makes a better impression in the home office.

REACHING THE PROSPECTIVE BUYER BY AUTOMOBILE

In the equipment of the salesman needed for traveling from prospect to prospect, the question has frequently come up in the last few years concerning the use of automobiles, who should furnish them and what arrangements should be made for their care and maintenance. The advantages of using automobiles are fairly clear. First, it is expected that the salesman can more completely cover his territory by the use of the automobile. The salesman is enabled to cover his territory more intensively, particularly by his ability to cover localities where railroad facilities are inadequate. The salesman works not only the railroad towns, but every place in his territory. Second, he is enabled to make an increased number of daily calls because the delay in waiting for trains can be eliminated, although this is offset in part by the delays incident to automobile transportation. It is obvious that if the number of calls can be increased and territory can be developed intensively, the result would be reflected in an increase in business. Some firms, furthermore, feel there is advertising value in having cars which are marked prominently. The extra comfort and service to the salesman is a factor which should be considered. There is particularly the advantage which comes to the salesman of being able to reach his family and home at week-ends when otherwise train connections might make it impossible.

On the other hand, there are some objections to the use of cars from the view-point of the salesman. There is the danger that the salesman, in attempting to cover his territory, will not place proper emphasis upon the various classes of customers and will spend an undue portion of time on poorer prospects and neglect the better ones. Furthermore, the very flexibility in the use of automobiles is a temptation for the lazy or weak-minded salesman to use his time and the car for other purposes than those for which he is employed. The salesman with a car may skim his

territory; danger is particularly great where the line which the salesman is selling is extensive and time is needed to show the customers both samples and to call his attention to the numerous items which enter into his stock.

From the view-point of the sales organization, the car properly used should decrease selling expense. In practice, however, the results have sometimes been quite the opposite. In fact, the principal objection to the use of automobiles advanced by sales managers and sales departments is based on the higher cost. The differences in practice and in business enterprises with regard to the use of automobiles lead one to examine conditions under which an automobile may be used by salesmen most profitably. It seems fairly clear that two types of territory are apt to be excluded from that in which the automobile may successfully be used. The first is the densely congested area in the center of a large city where traffic conditions are such as to make progress slow. The availability of other forms of transportation minimizes the advantage of using cars. Second, cars cannot profitably be used where distances between individual customers are large, because of the extra time required to cover territory and because of the strain upon the salesman as driver. The salesman who makes only the large cities of the country would find an automobile useless. In other classes of territory, where towns are fairly close together, roads are good, and prospects are located off railroad lines, the maximum advantage may be gained, particularly if adjacent railroad service is infrequent. The differences of territory account for the fact that some salesmen are furnished with automobiles while others are not.

Another factor which leads many companies to refuse to furnish salesmen with automobiles in territories which would otherwise seem to be adapted to them is the fact that some salesmen tend, through the use of a car, to decrease their effectiveness. They increase their leisure while only maintaining previous selling efforts. As a consequence, the higher expense of maintaining the automobile is not offset

by the increased number of calls and increased sales. The problem has been met by some companies by establishing a definite quota which requires the salesman to make more calls than before. One company found that its salesmen were making only about two-thirds of the calls which should have been made with the increased mobility furnished by the car.

There are a number of questions involved in the use of cars by salesmen as soon as a decision has been made to use automobiles. Among them are: Should the house or the salesman own the car? How should the maintenance cost of the car be handled? Business executives and salesmen are divided on this question of who should own the car. Many large concerns have standardized the policy of having the salesman own the car, though the employer often helps the salesman to become the owner, frequently by advancing the purchase price; others feel that it is necessary for the company to own all the cars. From the viewpoint of the salesman, the advantage of having the house own the car is that the salesman is not compelled to maintain any investment, is not so closely bound to the company as he would be if he owned his own car. The ownership of the car by the company gives an advantage in control and is necessary if the company is to insist upon the use of automobiles by all of its salesmen. On the other hand, the type of machine which the company furnishes sometimes is not the type of machine which the salesman prefers to drive and the experience of the same companies is to the effect that some salesmen much prefer to own their own machines. They allow them to choose the make of machine and the type of body which will give the greatest satisfaction. It is not necessary here to go into the question of maintenance or control of operations of automobiles except to say that the three general methods for maintaining machines are: (1) an allowance of expenses as reported; (2) the flat rate per day or per month for the use of the car; (3) a mileage allowance ranging from 7 to 12 cents.

PLANNING THE INTERVIEW

The method of conducting the interview without a previous plan, depending upon the salesman's opinions as to what should be done next as the interview develops, may be successful under some conditions. If the salesman possesses a very versatile and a very active and quick mind, if he possesses a thorough knowledge of his goods, if he is able to size up the customer and to select the proper bits of knowledge which would be effective in dealing with the customer, and present that knowledge in an attractive way, his lack of planning, or apparent lack of planning, may not interfere with the successful outcome of some interviews. But how much better it would have been if the salesman knew something about his customer, knew how objections were to be met, knew the selling points regarding his product and its relative importance. Even the salesman of unusual ability can do better work if he plans.

The first method of planning the sales talk consists of planning the general approach, trusting to the salesman's ability and vocabulary to enable him to convey the ideas which he wants to emphasize, into language which will be convincing and clear to the prospect. This is about as far as most salesmen go in planning for the sales interview. Many salesmen never take the trouble to carry their knowledge of the product to a point where they are able to express that knowledge when needed, clearly and forcibly, so as to convey definite and desirable impressions to the buyer. The possession of knowledge of a product is absolutely necessary for the salesman if he is to do his best work, but mere possession of knowledge is of no value unless the salesman is able to express himself.

Many salesmen fail in their interviews even though they know their product because of the indefiniteness of their knowledge of the product in relation to the wants of particular classes of customers. They fail because they have not planned a sequence of points. They become "stage

struck," as it were, or tongue-tied, in the presence of the buyer. The result is that the knowledge which the salesman possesses is effectively impounded so as to be almost useless when it is needed most.

Second, much more apt to be successful is the salesman who is provided with information as to his product, worded in language which would be suitable to the majority of prospects. He knows the objections to his product as well as satisfying answers to them. The salesman may be provided with the basic material by the house, but may find it necessary and advisable to translate that material into language which would be consistent with the buyer's vocabulary, and which will clearly convey ideas to the prospect. It is obvious that greater care must be taken when talking to some types of buyers, and in some sections of the country, than when endeavoring to sell to others; that precision in the use of language may be required for some classes of buyers, while slang and carelessness might be permissible or not objectionable for other classes of buyers. The salesman should not attempt to clothe his arguments in words which are entirely foreign to him. He is not able to speak convincingly if his selling talk is worded in a way which is either much below or much above his mental and social level. He reveals the fact that he is ill at ease.

This method of preparation, whereby the salesman has information about his product and has his selling points arranged and clothed in suitable language, comes fairly close to the third method, which consists of a standard sales presentation, or several standard sales presentations, which are to be used as a basis for a salesman in building his own sales talk, but not to be used verbatim in the field. Many of the advantages of the standard sales talk are obtained by this method, while some of the disadvantages are eliminated. But the elements for such presentation of material are taken up in the fourth method, known as the complete standard sales talk, to be memorized and repeated by the salesman.

Information as to product
Standard sales presentation

THE STANDARDIZED SALES PRESENTATION¹

The standardized sales presentation, in which the sales presentation is prepared to be repeated verbatim by the salesman, has long been the subject of controversy among salesmen and sales managers. On the one side it is maintained that the standardized sales presentation must be ineffective because it is not adapted either to the buyer or to the salesman. On the other hand, its proponents maintain that the standardized presentation is less faulty than the presentation of most salesmen.

Obviously, the standard presentation will vary in value depending upon the extent to which it has taken into account the buyer and the relationship of the product or service offered to the needs of the buyer. In so far as the wants of a group have been carefully ascertained, and in so far as tested methods of presentation have been used, the standardized presentation might be effective where the salesman's ignorance both of his proposition and market and the methods of presentation would result in ineffective performance. On the other hand, the standardized presentation may be carelessly compiled or developed, the wants appealed to and the methods of presentation may not have been tested and tried; in such a case, the standardized presentation may be worse than useless.

The proponents of the standardized presentation claim for it certain advantages:

1. It tends to furnish an orderly presentation of the proposition which the salesman could not develop alone.

2. The differences in buyers are not so great that the presentation cannot be standardized for considerable groups of consumers or dealers. The differences between buyers, furthermore, cannot be predicted by the salesman in such fashion as to adjust his interview any more successfully to fit buyers than a carefully worked-out sales presentation. Furthermore, some of the most obvious differences can be

¹See Appendix C for example.

recognized in the preparation of the presentation in order to provide alternatives for the salesman.

3. The standard sales presentation furnishes a much more rapid means of training salesmen to start selling. Where salesmen must be trained to sell a particular product quickly, there is less danger in sending them out with a standardized presentation than in trusting to them to make presentations of their own.

4. The salesman frequently does not possess the ability to express himself accurately and effectively; he does not know or appreciate the relative importance of particular selling points. In the standard presentation, it is possible to stress those points which are important, to avoid misstatements of salesmen, and to avoid exaggeration which might be harmful to the house.

On the other hand, the following objections are urged against such a presentation:

1. In personal selling, the adjustment of the salesman's presentation to the particular buyer is of prime importance. This is not done in the standard presentation except in so far as the buyer is typical of the group to which the presentation is directed.

2. The prepared presentation may not fit the personality or manner of the salesman. The presentation may seem stilted and unnatural to the prospective buyer, or the salesman may repeat the sales talk in such a manner as to indicate that it is a prepared talk, and in such a manner as to fail to bring any conviction into the mind of the buyer.

3. The presentation may not be suitable for the different types of prospective buyers; the variations may be so great as to make it ineffective.

A brief summary presents a compilation of such opinions:

1. A standardized sales presentation which is effective is possible for certain types of products and certain types of salesmen, and as a supplement to other information may

be of help to salesmen who should not use such a talk verbatim. The need of orderly presentation cannot be denied. But such presentation cannot take place without orderly arrangement of thought in the mind of the salesman. The standard talk tends to furnish such if committed, even though not actually used in its entirety on any prospect.

2. Salesmen tend to standardize their general presentation of the sales proposition if they call upon any considerable number of prospective buyers. The standardization upon a talk which has been carefully devised on the basis of the combined experience of salesmen who have been successful and sales executives should have more chances of success than the talk which each salesman has standardized, provided some leeway is given for an expression of the personality of the salesman and for obvious adaptation to the buyer. The objection of the salesmen to the standardized sales talk is thus partially removed though it is probably true that the higher the ability of the salesman and the more opportunity for training, the less need or justification there is for the standardized presentation.

From the view-point of personal selling the standardized presentation need not be given a great deal of attention. The standard presentation is useful only once in a contact with a prospective purchaser. Since the bulk of business is carried on, on the basis of repeat orders, it is obvious that for the whole of that business the standard presentation is not usable except as means of training salesmen to think in orderly fashion about the product they are selling. In sales of house-to-house canvassers, in sales of equipment to dealers which constitute one-time purchases, in the development of new customers from prospects, the standard presentation may be found useful.

VIII

THE SALES INTERVIEW

The interview as the crucial point in personal selling. Getting access to the buyer. The interview. Attitude and manner of salesman during interview. The content of the selling talk. Manner of presenting selling arguments or suggestions. Meeting objections. The buyer's decision. "High-pressure" salesmanship.

THE sales interview is the crucial point in personal selling. Without the interview there would be no personal selling, and the whole structure for personal selling exists because of the interview. Considering this fact, the amount of time spent by the average salesman in the presence of the buyer is surprisingly small. The conclusion which must be drawn from that fact is clear: that the interview must be planned carefully, as has been pointed out, and that the plans must be carried out satisfactorily and intelligently. The interview proper consists of several elements: (1) getting access to the customer; (2) attracting attention of the prospect; (3) presenting the sales proposition effectively; (4) meeting objections; (5) securing the order, and (6) developing such good-will as would be possible both in and following the interview.

The interview is the most direct and most effective means of contact between the seller and the buyer. If the salesman fails to give a good impression, the house loses as well as the salesman, because the salesman is selling not only the goods, but also his house as a source of supply.

GETTING ACCESS TO THE BUYER

Obviously, the first problem is that of obtaining the interview with the prospective buyer. If a salesman has con-

ducted himself properly in developing customers, he is ordinarily not troubled with the problem of securing access to prospective buyers. Securing interviews becomes progressively easier as the salesman establishes contacts. But for initial interviews, the problem occasionally becomes important. Usually access to buyers can be secured easily, but sometimes the salesman encounters difficult situations. At times trick methods have been used and recommended for the purpose of getting access to the buyer. As a general proposition, it may be said that any method of getting access to the buyer which tends to create ill-will, which is not open and above-board, is not to be considered good business practice. Such a method is neither courteous nor effective in the long run.

That access to buyers is difficult to secure is not surprising, if one considers the following propositions: **First**, the buyer is unable and unwilling to buy from all of those who wish to sell to him. **Second**, the buyer's time and interests are very frequently such as to make it impossible for him to devote the time to salesmen which salesmen would desire. **Third**, buyers have had unpleasant experiences with salesmen who did not follow principles of good salesmanship, who were either personally offensive, ignorant of the propositions they were to present, or not considerate of the time and interests of the buyer. More specifically, the reasons which may be given for the refusal of the buyer to see a salesman are: **First**, the prospective buyer does not wish to be interrupted in other tasks or pleasures in order to attend to buying at that particular time. **Second**, the prospective buyer may be ignorant of any of the possible relationships between the salesman's proposition and his own interests. He feels, therefore, that he does not wish to devote time to the salesman. **Third**, the buyer may refuse to see the salesman because he has had previous unpleasant experiences with that particular salesman or other salesmen of the house, or similar houses. In the **fourth** place, the buyer may refuse because in the process of allo-

cating time to his various duties, it is impossible to see all those who wish to see him. Some buyers refuse to see salesmen because they know they are too easily persuaded to do things which are against their own interests.

The real basis for securing access to a prospective buyer is common interest, and if that common interest can be shown, access will be secured, and interest will be quickly developed. The basis of common interest is a knowledge of uses of the product and the relationship to the needs of the buyer. There are many ways of developing this common interest, many ways of securing consent to an interview with the buyer who must select those whom he will see. Access may be secured through interest developed by previous correspondence, or by a telephone call. The salesman traveling for a well-known firm has the advantage over a salesman traveling for an unknown firm, because the tendency of the average person is to favor the known as against the unknown. The retail salesperson has no problem in getting access to the customer, because the customers come to the store and they frequently come with the express purpose of making certain purchases. The function of a retail salesman, therefore, is to help the buyer make those purchases, in his own interest, as well as in the interest of the store.

There is no great problem in connection with many of the larger department stores and retail establishments, because many of these companies have adopted definitely the policy of giving a limited amount of time to each traveling salesman who calls to present his proposition. Likewise, professional buyers for manufacturing and other concerns have arrived at the conclusion that the proper thing for them to do is to see, without discrimination, salesmen who are selling products which the purchasing agent plans to buy. It is a peculiar situation that many manufacturing houses have complained that their salesmen have found it hard to meet other buyers, yet their own purchasing officials have been fully as inaccessible or discourteous to salesmen

of other companies. The inconsistency of the practice has become apparent to many, however, and a change of attitude is obvious in many of the trade practice codes. For instance, the International Association of Garment Manufacturers makes the following statement in its "Code of Ethics."

Courtesy shall be extended to all salesmen or representatives inquiring for business. It is thoroughly good conduct to decline to see salesmen who desire to present subjects of no interest to the purchaser.

The National Association of Retail Grocers, in its declaration of principles in June, 1923, makes the following statement:

We believe that most wholesale and manufacturing representatives come to our stores with the proposition or object that has mutual advantages. They come at an expense which is part of the distribution cost; therefore, we believe that all representatives calling at retail stores should be waited upon with courtesy and consideration unless by their actions they do not merit this kind of treatment.

The National Association of Hat Manufacturers, in the course of a statement upon the manufacturer's relations with whom he buys, published in its "Code of Ethics," makes the following statements:

We accept the principle that those from whom we buy are rendering to us and through us a service to the entire community.

They shall make rules as to time and place of seeing salesmen, and obviously such rules as they make, they expect salesmen to observe.

They shall keep appointments with salesmen and facilitate the conduct of their business so as to avoid needlessly wasting the salesman's time.

These are only a few of the sections of the codes of ethics which show the general tendency of professional buyers to treat traveling representatives as they expect and like to have their own salesmen and representatives treated by other buyers. It is, and should be, difficult for the salesman who has no legitimate business to secure interviews.

THE INTERVIEW

The orthodox division of the interview into the steps of attention, interest, confidence, and decision is intended merely to indicate the mental steps as they appear, but frequently it has the effect of attempting to make divisions which are not obvious in the course of the interview, and to indicate the order which is not characteristic of any interview and which cannot be said to be psychologically sound. Interest is said to follow attention. It is said that the buyer must attend to a thing before he can be interested in it. On the other hand, it is true that in many cases the buyer attends to a thing because he is interested in it, previous interest being the cause of his attention.

Once the salesman is in the presence of the buyer, much depends on the manner in which the interview is opened. During the first few moments, the buyer forms impressions which will have a definite effect upon the success of the interview. Those impressions which he may secure may be pleasing, in which case there will be fewer opposing considerations to interfere with a favorable action later on. Also the impressions may be displeasing, and will interfere with later decisions even though the buyer is a professional buyer who will try to make conscious efforts to overcome the influence of this unpleasant first impression. Therefore, it must be the effort of the salesman to make a pleasing impression at the outset; he must by his actions or by his words attract favorable attention. It is said that more sales are lost at this point than at any other point in the interview. It is true that unless the buyer is favorably impressed, the seller rarely has a chance to proceed except under a great mental handicap.

ATTITUDE AND MANNER OF SALESMAN DURING INTERVIEW

In the conduct of the interview, the attitude and manner of the salesman should be such as to develop a state of

mind in the buyer which will, at least, not be opposed to his presentation of the sales proposition. This involves a number of points which must be borne in mind by the salesman who is planning to make the most successful use of his time.

Courtesy. Courtesy is a necessary characteristic of the attitude and manner of the salesman during the interview. Courtesy cannot hinder the salesman's work in any respect, while it may facilitate it in many instances. Courtesy of approach, courtesy in conducting the interview, courtesy under the difficulties which are encountered from the attitude of particular buyers, all must lie at the basis of the salesman's attitude if he is aiming not only to build up immediate sales, but to develop customers. Courtesy does not imply weak-kneed agreement with every statement of the buyer, but it does imply respect for the buyer and recognition that the buyer's convenience and buyer's attitude deserve respectful consideration.

Confidence. In order to present convincingly the satisfactions which may be secured by the acceptance of a sales offer by the buyer, the salesman must be confident that such satisfactions will be secured by the buyer. Confidence should be based upon knowledge of the proposition, both of its absolute merits in satisfying wants and the relationship of other satisfactions to be secured from competing or different sales offers. It is evident that this confidence rests upon knowledge of the product and upon knowledge of the needs and wants of the buyer. Unless such confidence is present, after this knowledge has been secured, the salesman has no right to attempt to sell a particular buyer. With this confidence, a salesman is in a position to conduct the interview in an orderly and successful fashion. He is able to meet objections, without becoming disconcerted or upset. Many salesmen suffer from a sort of stage-fright in the presence of the buyer. If they possessed knowledge of the product and of the way that product serves the needs of

the buyer, they would be able to develop the confidence which would carry them successfully through this temporary period of diffidence.

Cheerfulness. Men and women are constantly inclined to regard cheerfulness favorably, to make many concessions to the cheerful person and to give him opportunities to come in contact with them; while the reverse is the attitude toward persons with a grouchy or surly disposition. Since the salesman desires an open-minded attitude toward the proposition that he presents, it is important that he should not create the impression by his actions, that he is out of sorts or that he is pessimistic in his views. Unbounded optimism, however, and unwarranted enthusiasm, are equally as damaging to the salesman's prospects of presenting his proposition, for they tend at times to give the buyer an impression of exaggeration.

Sincerity. The salesman cannot expect the buyer to believe him if, by his conversation, his attitude, or his action, he gives the impression that he is not in earnest. In most buying transactions the purchaser is in earnest, because he is not in a position to satisfy all his wants, and, therefore, he has had to make, consciously or unconsciously, some choice, or some sacrifice, for what he purchases. As repeat buying takes place, the amount of thought devoted to each purchase will decrease, but in such cases habit has taken much of the burden from the salesman, in his attempt to present the proposition to the buyer.

Glibness. Glibness tends to leave the impression of insincerity. The easy talker has been so common in many predatory personal selling lines and has so frequently made promises with no intention of fulfilling them, that buyers are inclined to be suspicious of the salesman whose presentation is apparently so smooth. Nevertheless, it is always wise to avoid awkwardness in so far as awkwardness detracts attention from the content of presentation.

Naturalness. The salesman should seek to express his

own beliefs and his real self in relation to the sales offer to the buyer's needs. He can be natural only if he knows that the proposition is fair and square and that it serves the needs of the buyer. An affected manner tends to detract attention likewise from what the salesman is saying and direct it toward the manner in which he says it. Thus it makes the presentation ineffective.

Interest in the prospective buyer or customer. The salesman should remember that customers' or buyers' wants are to be satisfied. It devolves upon the prospective buyers to make the decision, accepting or rejecting the offer. The customer is not ordinarily interested in the salesman's private opinions or affairs. The attitude of interest in the prospective buyer or customer will automatically be assumed if the salesman regards his work as a method of satisfying economic wants. The so-called "you" attitude is a logical result of an honest and conscious desire to bring about the real objects of the personal selling, namely, the satisfaction of wants.

No "domination" of the buyer. Many writers and speakers on salesmanship emphasize the need of controlling and dominating the buyer as a means of bringing the interview to the successful close. It is true that to a certain extent it is possible for some salesmen to dominate the buyer. They may be successful in bringing about one-time sales, but, more and more, even salesmen who are capable of exercising such "domination" are beginning to understand that the traces of resentment or the ill-will which is created by the process after it has been completed are only partially offset by the satisfaction given by the goods. Unless goodwill is created, customers cannot be developed; repeat sales cannot be made. In a sense, however, the effort of the salesman in conveying ideas about satisfactions which the buyer will receive from the purchase will occupy the mind of the buyer to the exclusion of other ideas and result in buying action; but the conscious control or domination of

the buyer's mind is to be identified particularly with so-called high-pressure selling, which is economically unsound.

As a general rule, the salesman must so conduct himself that he will find it easier to approach the man a second time, whether he makes a sale the first time or not. His purpose in the initial interview is that of making customers, laying the foundation of future sales, not simply that of taking a single order. The salesman's general attitude of competency to sell the product facilitates his return to the buyer, who has an actual or potential need for what is being offered.

In connection with the attitude of the salesman, emphasis should be placed upon the need of being physically in trim. Physical fitness is needed for work of any sort; but where the salesman needs all the faculties of his mind, he must have them under perfect control, and physical fitness is of special importance. The best salesmen take great pains to be in fine physical condition, particularly for important interviews.

THE CONTENT OF THE SELLING TALK

Suggestion or argument. The content of the selling talk will depend upon whether reason or suggestion is to be used in the presentation of the various facts concerning the proposition. To the professional buyer, the facts and arguments, the reasons why, constitute the method most extensively used. To the individual consumer, the suggestion of satisfactions to be derived from a purchase play a much larger part, although the salesman must be prepared with the facts and arguments, for the buyer may prefer to think things out for himself. Which method is to be used, or which combinations are to be used, will be determined largely by the type of product, the type of buyer, the analysis of the wants to be derived from the product, and the experience of the salesman and of others in selling the product.

Selection of selling appeals to be used. The first problem in the interview, which is not completely standardized through a standard sales presentation, is to determine the points of relationship of the sales proposition to the buyer's needs. Some of these relationships are important; others are not. Some appeals to wants are generally effective; others are only seldom resultful. Some appeals are more powerful than others. Other appeals may be unusually powerful, but only under peculiar conditions. In the selection of selling appeals, much can be determined in advance of the interview by studying previous experience and by the knowledge which may be secured about the buyer, both as a member of a class and as an individual. The salesman may be told the important selling appeals; he may have learned by experience that in some interviews he is successful, in others not, and a study will reveal to him the reasons for the success or failure. A study of the advertising may help him to find out which appeals are considered important.

Lastly, scientific methods may be used to measure the strength of appeals, although, as yet, this method has been applied with scientific care only in the field of advertising. Those appeals which under comparable conditions are most effective in presenting a proposition are those which, in the absence of contrary information, would be used in a particular interview.

Truthfulness. The necessity for being absolutely truthful needs no explanation. No claims should be made which cannot be fully supported; no claims should be made which are not true. Aside from the fact that untruthfulness is ethically wrong, it is unsound from the view-point of business policy. In the building of customers, the making of claims or promises which are not carried out, defeats the purpose of the salesman's efforts.

Exaggeration versus understatement. The most desirable relationship of statements made concerning a proposition would be that of absolute identity or absolute accuracy.

Such absolute accuracy is most difficult to obtain without avoiding implications which amount to exaggeration. For the seller it is important to remember that it is the ideas which the buyer receives about the product and the proposition which are of importance in creating good-will, and not the statements which are actually made by the salesman. Salesmen, as well as others, engaged in predatory selling, understand only too well how to make statements literally accurate, while, by implication, giving exaggerated ideas of the satisfactions which are to be secured from the purchase of mining stock, get-rich-quick adventures, and the like.

There are many salesmen who feel that in order to sell it is necessary to exaggerate in the interview, either by actual statement or by implication. Sometimes this is not done intentionally or consciously, but as a result of the exuberance or enthusiasm of the salesman.

The test of the value of exaggeration comes not in the effect upon making the individual sale, but in its later effects. Exaggeration, actual or by implication, tends to weaken the force of the salesman's statements in later interviews, and leads to ill-will and dissatisfaction, because the customer receives less satisfaction from his acceptance of the sales offer than he was led to expect. As a consequence of the difficulty of attaining absolute accuracy of statement, there are many of the better sales organizations which are leaning toward understatement of the sales proposition, taking care to make no claims for the product which are not necessary in order to effect the sale. Some selling points are to be held in reserve, not to be presented. The seller does not reveal to the buyer all the ways in which the product will satisfy the buyer's wants, on the assumption that if the customer's wants are satisfied more fully and more adequately than he expected, good-will will be created, repeat orders will come more easily, customers, instead of one-time buyers, will be developed.

However, a caution is to be noted with reference to under-

statement. For many products there are points of appeal, or design, or characteristics whose advantages are not easily discernible by the average buyer and which in the process of use may not give him the satisfactions that he desires because he is ignorant of their existence. As a consequence, a competing product may take its place, because more points have been brought out. In understatement, therefore, it would seem wise to omit only such points as can be readily discerned when the product is delivered, or which can be readily understood.

Competing products. It seems obvious that competing products should not be referred to, or, at least, should not be condemned by the salesman unless under unusual conditions. It is ordinarily best to say nothing unless compelled to do so by direct question; then possibly to say what good can be said about the product and make comparisons only if necessary. The unethical practice of disparaging competitors' products is universally condemned among the better business men, as indicated by a perusal of the numerous codes of ethics which have been distributed. Furthermore, the salesman's information is ordinarily incomplete and faulty and his statements are apt to be inaccurate when he tries to talk about competitors. If he does have accurate information, there is suspicion in some cases that he acted unethically in obtaining it.

MANNER OF PRESENTING SELLING ARGUMENTS OR SUGGESTIONS

In the presentation of the points and facts which are to be used in the interview, attention must be given by the salesman to the manner of presenting them as well as to their content. The salesman must decide the order in which the presentation or suggestions are to be presented and the way in which they are to be presented, as well as the rate of presentation and specific wording of each point.

Order of presentation. The average salesman pays very little attention to the order with which his facts regarding the product and its relation to the buyer's wants are presented. Haphazard selection of points is inexcusable, although any prearranged order may be disturbed by the objections of the buyer, or by factors over which the salesman has no control. One sound principle in determining the order of presentation is to proceed from the known to the unknown. Interest and attention can be secured by proceeding from what the buyer knows to facts that are unknown to him. This is the pedagogical method and is particularly useful when the buyer does not know the product and needs to be instructed as to its resale possibilities or methods. The succession of facts, or succession of arguments, must sometimes be based on historical development. Ordinarily, this particular order of presentation is not useful except in presenting a new product to customers. More important is the arrangement of points according to their relative importance. The salesman may arrange his selling points, starting with the least important and ending with the most important, with the intention of fully convincing the buyer and inducing buying action in order to satisfy his wants. Or the salesman may start in with his most important point, with the expectation that this will hold the attention of the buyer and possibly immediately result in action, while other points of less importance are being reserved in case the more important points are not effective in convincing the buyer.

In the practices of some salesmen, there are several successions of points, for the purpose of affording several opportunities for the buyer to signify his willingness to purchase, thus conserving the time of the salesman if purchase can be completed at any one succession of points.

The repetition of facts of importance may be, and frequently is, necessary, in order to give proper emphasis to the most important characteristics of the product, or to make points clear, which are not fully perceived by the

buyer. Such repetition tends to concentrate attention, although to certain types of buyers, repetition is not only unnecessary but annoying. Ordinarily, however, the salesman will find it useful to repeat, or, at least, to summarize in closing the interview.

Form of presentation. Furthermore, in the interview, the salesman must decide whether a full explanation is to be given, or whether the main selling points are to be given sketchily. Where a product is known by the buyer, where the buyer is a quick thinker, who automatically fills in the outlines, it may be much better to refrain from full explanations, which to him will seem verbose, than to take the buyer's time with the full explanation. On the other hand, where the buyer is entirely unacquainted with the product, where the product is complex or new, when the buyer's mind is slow or inexperienced, a full explanation should be used.

Nevertheless, no sales presentation should be any longer than is absolutely necessary. The salesman who needs a great deal of time for his presentation is not apt to get very far, unless the product he is selling is of such importance that he can make previous arrangements with the buyer to give him the requisite time.

Many professional buyers decide, during the first few moments of an interview, whether they are interested in going into the details of the proposition with a salesman. Their time is limited, and unless they did so decide, they would be unable to give a hearing to more than a very few salesmen. In such cases, the salesman must be prepared to outline concisely and clearly the essential elements of his proposition and the points which deserve the attention of the professional buyer.

Rate of presentation. The salesman must adjust the rate at which he presents ideas and suggestions to the buyer, to the rate at which they can be received effectively by him. This means that for a rapid thinker and for many profes-

sional buyers, rapid presentation of points is necessary; for the slow thinker, however, it is advisable to present points more slowly, lest the full import of each point escape the buyer. To the rapid thinker slow and deliberate presentation arouses impatience; to the slow thinker rapid presentation is confusing.

Wording of presentation. In the wording of the presentation the salesman may go so far in his planning as to formulate the words and phrases that he will use in presenting the various arguments and suggestions. The style of speech which he adopts should be simple and unaffected; it should neither be stilted nor above the style to which the prospect is accustomed. If he is speaking to an engineer, he should know the elementary engineering terms; if he is selling medical supplies to medical men, he should know medical terminology to some extent, and so on. The purpose is that of being able to talk on the level with the buyer, so as not to detract attention from the purpose to the manner of presentation.

In meeting unexpected situations and for ordinary purposes, the salesman needs a good vocabulary, one which does not consist of words which are uncommon, or which would sound affected to the average buyer, but one of sufficient size, so that he can express his thought and meet objections promptly without having to undergo the embarrassment of feeling around for the proper words.

Negative suggestion. The discussion of the use of reason and suggestion in presenting the selling points and conditions under which they may be used soundly from the view-point of the psychologist is taken up elsewhere; but it must be remembered that the salesman should not engage in debate with his customer, because such debate leads to the development of an opposing and inhibiting frame of mind, which makes it difficult for the customer to give the salesman a fair chance to present his proposition. Likewise, with reference to suggestion, the statement is usually

made that negative suggestions should be avoided because they leave an impression on the mind which tends to interfere with subsequent buying action.

MEETING OBJECTIONS

The objections which the salesman will encounter in the course of his interview seem at first thought to be so numerous as to defeat analysis, but one of the early discoveries of every salesman who thinks about his job, is that, although there are many objections, most of them are largely variations in the expression of a fundamentally small number of objections. Studies of personal selling in insurance revealed the fact that the objections to buying insurance could be grouped under eleven headings and that for the most part these could be anticipated and adequate answers prepared in advance. The same discovery has been made with reference to other products, with the result that many companies, in their sales manuals or instructions for salesmen, outline the objections which they may expect to encounter and the answers to such objections.

The underlying causes of objection are:

1. Lack of knowledge of the satisfactions to be derived from the sales offer;
2. Previous unpleasant experience with the seller or salesman, or with other sellers or their salesmen;
3. Comparison of satisfactions to be derived from other sales propositions, either by purchase of similar goods, or services, from other sellers, or by purchase of other goods or services;
4. Causes which affect the buyer's attitude and responses, often unrelated to the sales proposition itself. The list of such causes which affect responses given by Professor Watson on page 95 is illuminating in this respect.

Objections to purchase may be classified under four general headings corresponding roughly to the classifications of knowledge of sales proposition given above.

1. In the first place, there are objections which are based upon the ideas of the buyer relative to his wants, desires, and satisfaction to be derived from the sales proposition:

(a) The buyer does not need the product, or does not think he needs it. Many salesmen find it necessary to demonstrate the actual need for their products. The need for purchase is much more difficult to establish in the case of new products than for repeat sales.

(b) The need may be already satisfied. Here, again, the salesman may find it necessary to ascertain whether the need has been satisfied adequately; whether it can be adequately satisfied by the goods which he is offering; or whether the need is satisfied merely temporarily and other purchases will be required later.

(c) The buyer may claim that the product or service does not satisfy his wants. This claim may be made on the basis of inadequate knowledge of the product, or may be used to cover other objections to purchase. The claim that the product does not satisfy needs may be made specifically; it may be said to be lacking in quality, salability, durability. Here the salesman must know his product thoroughly in order to be able to answer such arguments.

(d) The prospective buyer may claim that the product does not satisfy his needs as well as do competing products. In such a case the confidence of the seller in his product and a knowledge of competing offers, form the basis for meeting such objection.

(e) It may be claimed that the service is not satisfactory. Here, again, the claim may be made without adequate knowledge, or on the basis of previous unpleasant experience. If deliveries are slow or undependable, or if repair or maintenance service which may normally be expected is not rendered satisfactorily, the objections are real; otherwise the salesman should have the facts to demonstrate that the service given, and which can reasonably be expected to be given, is performed satisfactorily and efficiently.

2. There are objections of the prospective buyer, not to the goods or services offered, but to the prices, terms, and conditions of sale:

(a) The buyer may object to prices as compared to his ability to purchase. He may say that he cannot afford to make the purchase, which statement may be truthful, but frequently is a first impression based upon a fuller conception of the magnitude of the sacrifices he is to make than of the amount of satisfaction which he is to receive from the purchase.

(b) The terms of sale may not be those which the buyer needs or thinks he needs. He may desire longer credit terms, or easier terms of payment. In such cases, knowledge of the reasons for and justification of particular terms furnish the salesman a basis for his answer.

(c) The buyer may object that in relation to conditions surrounding other sales offers, prices are too high, or credit terms unsatisfactory. It should be pointed out that ordinarily sales offers are not directly comparable and that more is involved than simply the price itself—the assurance of supply, the character of service, the dependability of promises, all may justify and compel a difference in price.

3. Objections to the seller as a source of supply of the product, or service, are likewise important, particularly in the repeated selling of competitive products, when the question involved is not what he should buy, but where he should buy it:

(a) The buyer may object to the seller because of previous experience with the house or the house salesman or similar sellers or their salesmen. Such objections can be met only by first finding out that complaints are well founded, and second, that they are, if possible, adjusted. If they are beyond the control of the salesman, such complaints can be met only by demonstrating that he and his house will offer a satisfactory source of supply in contrast to their previous experience.

(b) The buyer may prefer to purchase from houses located nearby or at a more convenient location. Such an objection may be met by the salesman, by a comparison of all of the features of his offer, to show that the transportation advantages and the apparently greater availability of supply, do not offset other advantages. Furthermore, that service to the community of the buyer depends, not upon supporting home industries, but upon furnishing the right goods at the right time, at prices which customers are willing to pay.

(c) The buyer may prefer to deal with a large concern, on the ground that it is more stable financially and a better source of supply; or he may prefer to deal with a small concern because he believes that he secures more personal attention. There are advantages and disadvantages which can be pointed out by the salesman who studies the merits and demerits of his house as a source of supply. Every large concern attempts to eliminate the faults which are due to size, and every small concern is trying to secure some of the advantages of size.

(d) The buyer may have personal prejudices against the house, or against its policies or methods. The buyer may object to certain personal political opinions of the president of the firm or other executives; to the policies involved in selling various types of dealers; to advertising methods. Only by an understanding of these policies and the reasons for them can the salesman successfully meet such objections.

(e) Personal prejudices of the buyer may influence him to buy from other houses, friends, or those that have some personal connection. In such a case the salesman can point out to the professional buyer the absolute necessity of serving his firm best without sacrificing its interest to his own personal friendship.

4. There are the objections based upon personal preferences, prejudices, attitudes, and opinions of the respective buyer:

(a) The buyer may be reluctant to make a decision. He may cover his reluctance by indicating a desire to put it off, or by making idle remarks which are not really objections, but which sound like objections. The variety of inhibiting influences is such that it is difficult for the buyer to succeed entirely in excluding all other thoughts and allowing entrance to the idea of purchase action. The impulse to buy may be suppressed by some thought or suggestion based upon habit or past experience.

(b) While the desire to consult some one else before making a decision may be a valid objection to immediate purchase, particularly when the salesman has not taken care to determine who really decides buying, it may be, on the other hand, merely a means of postponing decision.

(c) The feelings, attitude, and prejudices of the buyer and recent emotional experiences, usually unconnected with the proposition, may cause him to react favorably or unfavorably to suggestions or to arguments advanced by the salesman. The objections based upon these facts cannot be easily met directly because usually they are not revealed in detail. The salesman must sense them and try to avoid any suggestions or arguments which will again arouse unfavorable states of mind.

The basis for meeting objections is knowledge of the sales proposition, knowledge of the buyer's wants and needs, and knowledge of the effective methods of handling objections in relation to particular buyers. The methods of handling objections in particular cases will vary according to conditions, according to the attitude and feelings of the buyer.

1. The first method is that of analyzing the objection and of demonstrating how it does or does not affect the satisfaction to be derived from the purchase. This is the definite and clear-cut method of meeting objections, but requires the salesman to have facts at his command and ability to present them in a convincing manner.

2. A favorite method of many salesmen is that of turning

an objection into a sales argument. This method is particularly effective in bringing about action, provided it is tactfully used. In this method the salesman can concede the validity of the objection in order to create a favorable attitude, but goes on to demonstrate that in reality this objection is a reason for purchase and not against purchase.

3. A third method of meeting objections is that of demonstrating that the satisfactions to be derived from the product in other directions outweigh and overbalance the satisfactions which will not be secured because of the objection.

4. In certain cases it is best to postpone the answer to the objection until there is a proper background in the mind of the buyer so that he may appreciate the force of the answer. This is not evasion, but merely is to give a perspective, to make the picture of the sales proposition, satisfactions, and sacrifices involved truer than it would be if the mind of the buyer were dwelling upon the objection which had been answered in advance of the sales presentation.

5. The objection may be attacked directly or denied, a method which should be used only when other methods are unavailable, because it is tantamount to accusing the buyer of insincerity, of ignorance, or lack of good faith. The salesman must be prepared to meet such objections in order that he may not find it necessary to ignore them or evade them. Objections should never be dodged, because they tend to leave an impression out of all proportion to their importance. Evasion confirms the buyer in his belief that the objection is a valid and sound one. In meeting objections it is likewise necessary to avoid argument or debate and to bring about the utmost of agreement with the buyer consistent with the facts. Objections should be handled tactfully. Objections should be expected by the salesman and the salesman should not get excited in his attempt to meet them or should not feel that the buyer is insulting him if he brings up objections to the purchase.

THE BUYER'S DECISION

The decision of the buyer results in buying action, which in its repetition constitutes the purpose of personal selling. Without decision to buy, no sales are made. Consequently, much attention has been devoted by writers upon salesmanship and by sales managers and salesmen to the close of the interview. Some claim that the close is the crucial point of the interview; while others claim that if the interview is properly conducted and the salesman knows his product, customer, and method of presentation, the close will take care of itself. Psychologically, decision takes place when the idea of satisfaction of wants in the mind of the buyer is sufficiently strong to induce action. Since this idea is opposed by other ideas, there are frequently several points in the interview in which the strength of a particular idea or the addition of a new idea of satisfaction might cause decision. These points, when suggestions or additional arguments would lead to decision, are frequently called psychological moments.

There are points at which the wants are balanced against the sacrifices, consciously or unconsciously, and the increase in the importance of the ideas as to satisfactions would bring about action. The decision of the buyer is frequently not evident, as soon as it is made.

Trick methods are sometimes used by salesmen to bring about the determining decision, but such trick methods are ordinarily merely cheap devices and have very little usefulness. Such trick methods, such as "dominating" the buyer, forcing the buyer to "sign on the dotted line," are fallacious, because they tend to leave an after-impression of unpleasantness. The goods may not stay sold, or if they do stay sold, there is no basis for the development of goodwill which will make repeat sales easy.

The salesman should be just as willing to refuse to sell when he is convinced that the goods do not satisfy the buyer's wants, as he is eager to sell when the goods do satisfy.

The salesmen of a certain large engineering company are specifically instructed to sell their goods only when they are convinced that their goods can perform better service for the particular buyer than can the goods of any competitors, and this policy is strictly carried out by the salesmen.

The salesmen should recognize that it is impossible in every interview to effect a sale; in fact, that the purpose of many interviews may not be to effect sales, but to lay the foundation for future sales. As a consequence, the salesman should not give up if he is convinced that the customer needs his product; but, on the other hand, he should not prolong the interview beyond the point of determining whether a decision can be reached at once, or whether it can better be done at some future time.

A salesman must so conduct himself that he can come back. If his success or failure in getting customers depends upon his first interview resulting in an order, it is bound to be unsuccessful in many cases. Valued customers are not gotten ordinarily as the result of such a single interview.

Interruptions during the course of the interview are frequently very annoying to the salesman in so far as the interruption tends to cause the buyer to lose the thread of the argument or to attract attention to other matters than the sales presentation. It may be wise for the salesman either to postpone or to offer to postpone the interview to some later date, or to repeat and summarize, so that the sales presentation is complete.

The good-will which results from a correct buying decision is the basis of the development of customers, instead of one-time buyers.¹

“HIGH-PRESSURE” SALESMANSHIP

Any one who examines the literature of salesmanship or who converses with salesmen and many sales managers, cannot escape without reading or hearing of “high-power”

¹ See Chapter IX for a detailed discussion of good-will.

or "high-pressure" salesmanship. The meaning of the terms is not particularly clear but usually it is taken to mean that the salesman dominates the buyer and compels him "willy-nilly" to sign on the dotted line. Such tactics, often used in selling specialties when the salesman is not aiming to build up a repeat business, include resorting to subterfuges and tricks to get access to the prospective buyer, rushing of decisions and forcing of purchases by the sheer force of talk and personality. The salesman is usually working under a strain; he depends more upon talk and impulses aroused to bring orders than he does upon any attempt to ascertain and satisfy the wants of the particular buyer.

Such "high-pressure" selling is distinctly undesirable from the view-point of the public as buyers, the salesman himself, and the employer of the salesman.

1. The salesman may make larger earnings for a time by "high-pressure" methods; but he does not build up a basis of good-will which will make his work more effective in the future. Furthermore, since he is not satisfying the buyer's wants in many cases, or is proceeding irrespective of such wants, his work is carried on in an uneconomical, and often unethical, manner. The forced excitement and stimulation under which the salesman must work in many cases in such selling is injurious to health and cannot be sustained indefinitely because the salesman is working beyond his capacity, under the emotional stress of such excitement.

2. The public does not benefit by "high-pressure" salesmanship. While aggressive tactics may be necessary in the introduction of new products, the purpose of selling should be made fundamental irrespective of its type. In so far as "high-pressure" salesmanship brings about purchases which are not the satisfactions of wants which the buyer expected and wished to have satisfied, the buyer is harmed by having been made the victim of the "high-pressure" salesman. The "high-pressure" salesman is not concerned with the development of surplus satisfaction or good-will.

3. The employer loses in the long run by insisting upon "high-pressure" salesmanship of the type indicated because good-will is not built up and the difficulty of selling is not decreased. Buyers who feel that they have been rushed into buying what they did not want are much more difficult to sell the second time than the first. In addition, insistence upon "high-pressure" salesmanship by sales managers loses sight of the fact that the great bulk of personal selling is carried on with customers and by salesmen who, even if they desired, could not successfully carry out rushing tactics. It is difficult, furthermore, if not impossible, to keep up or to develop morale when "high-pressure" selling is insisted upon.

On the other hand, if by "high-pressure" selling one means that salesmen should be so trained and so direct themselves and be directed, that the energy they put into selling is made as effective as possible, nothing but praise is to be accorded such salesmanship. There are comparatively few sales forces in which the time might not be better utilized than at present.

IX

CREATION AND CONSERVATION OF GOOD-WILL

Basis of good-will. Advertising as a means of creating good-will. The creation of good-will by the salesman. Policies and methods of the seller in relation to good-will. "Service." Developing the good-will of dealers. Conclusions.

SELLING is applied to a continuous flow of transactions and is not confined to the individual transaction which occupies the salesman at a specific moment. Each transaction which takes place is affected by the experience of the buyer with the product or similar products, with the house, with the sellers in particular and salesmen in general. These, with many other factors, determine, in part, the attitude of the buyer toward a particular buying proposition. This attitude may be changed from unfavorable to favorable, depending upon the skill of the salesman and the strength of his offer. Since the attitude of the dealer or of the buyer toward the proposition determines whether or not he will pay attention to its presentation, and will determine very definitely the amount of time and effort required for the presentation, it is necessary for every salesman, every member of a sales force, and every one having to do with advertising or any other means of reaching ultimate or immediate buyers, to bear in mind the necessity of building rightly for the future.

A salesman is building for the future if he sells his goods properly to the buyer so that the buyer's wants are satisfied; if the goods are delivered and the customer receives what he expects from them, the ease with which a second sale can be made is increased. If, on the contrary, the customer does not feel satisfied after he has made his purchase, if the goods do not come up to the expectations of

the performance aroused by the salesman or by advertising, if delivery is not in accordance with promises and if the attitude and relations of the company are not pleasing, it becomes more difficult in the future to make sales to the individual customer. There is a waste which is shown in higher selling costs and greater effort required to sell. If one considers the total number of buyers in the United States, one can easily come to the conclusion that the salesman who does not build properly for the future is economically wasteful and unprofitable to society at large and ultimately unprofitable to his house.

Good-will has been defined by men interested in sales, accounting, and finance in various ways, depending on the particular interest. The Supreme Court of the United States has defined good-will as follows: "Good-will is the disposition of a pleased customer to return to a place where he has been well treated." A definition by an English justice says, as quoted in Kester:¹

Good-will regarded as property has no meaning unless in connection with some trade and in that connection I understand the word to include whatever is of value to a business by reason of old customers and many other things that may be included.

Another definition shows more clearly the connection with selling, that of the accountant from the view-point of George Lisle, "Good-will is the monetary value placed upon the connection and reputation of a mercantile or manufacturing concern and discounts the value of turnover of a business *in consequence of the probabilities of old customers returning.*"²

The evidence that good-will exists is proved by the existence of earned sales, greater than would be possible without it. There are many sales managers who admit that if all expenses of selling were in proportion to those of selling to new customers, profits would be converted into losses.

¹Kester, Roy B., *Accounting: Theory and Practice*, Ronald Press, 1918, p. 331.

²Italics the author's.

The conception of good-will is of particular interest as it relates to the possibility of old customers continuing, or, in more general terms, the preference which gives buyers the opportunity to choose one concern rather than another from which to make their purchases. That good-will is not merely a theoretical conception or one which has no value in practical business affairs is evidenced by the treatment of good-will upon the balance-sheets of many companies. There are many companies in which good-will may represent the largest and most important asset of the business. Good-will is of value because it attracts trade; in other words, because it makes selling easier and enables a larger volume to be obtained at a smaller cost. The value placed upon good-will established by various companies ranges from nothing to millions. Conservative accounting practice sometimes advises the carrying of good-will at a nominal sum even though the good-will is existent and is increasing the earning power. Other companies have capitalized this good-will; for instance, that of the American Tobacco Company is capitalized in excess of \$50,000,000. High values are placed upon good-will by such companies as the Cluett-Peabody Company; the Remington Typewriter Company, and Procter and Gamble.¹

BASIS OF GOOD-WILL

From the view-point of the student of personal selling, good-will is based upon satisfactions of wants anticipated or realized from purchase.

Prior to the purchase of a product from a particular seller, the buyer's good-will with relation to a particular seller is based upon anticipated satisfaction in the event of purchase. This depends on:

¹ The existence of good-will, to pass accountants' tests, must result in excess earnings. As a business entity, its existence is evidenced by the inclusion of the item of good-will on balance-sheets. But since conservative accountants sometimes advise omission of the item of good-will from balance-sheets, there are many companies possessing huge assets of good-will.

1. Knowledge or opinions regarding the products which the company sells, and the satisfactions to be derived from them.

2. Knowledge or opinions regarding the methods or policies of the seller of the commodity or service. After the purchase has been made, good-will toward the seller (which means that the buyer is inclined to repeat buying acts with relation to the particular seller) may be regarded as including the satisfaction which results from a transaction and the relationship of that satisfaction to his opinions or expectations of other satisfactions as follows:

- (a) The satisfactions which were expected from the transaction;
- (b) The satisfactions which might have been secured by purchasing similar goods elsewhere;
- (c) The satisfactions which might have been secured from the purchase of other products or from refraining to purchase.

If the comparison is favorable, there is good feeling toward the seller and an inclination to repeat the transac-

which omit the item altogether or place only a nominal value. The following list, based on *Moody's Manual*, 1924, gives several valuations taken from 1923 balance-sheets:

GOOD-WILL

For the fiscal year 1923, unless otherwise mentioned

American Tobacco Co.....	(brands, trade-marks, patents, good-will, etc.)	\$54,099,430
Liggett & Myers Tobacco Co.....	(brands, trade-marks, good-will, etc.)	40,709,711
Sears, Roebuck & Co.....	(good-will, patents, etc.)	30,000,000
General Motors Corp.....	(good-will, patents, copyright, etc.)	22,440,811
The Coca-Cola Co., 1924.....	(trade-marks, good-will, etc.)	20,656,386
Ford Motor Co., 1924.....	(good-will—patents separate)	20,517,987
Cluett, Peabody, & Co.....	(good-will, trade-names, etc.)	18,000,000
Remington Typewriter Co.....	(good-will, patents, etc.)	14,025,555
International Shoe Co.....	(good-will, patents, trade-marks, etc.)	12,750,000
Hart, Schaffner & Marx.....	(good-will, trade names, etc.)	10,000,000
American Chicle Co.....	(good-will, patents, trade-marks, etc.)	8,766,099
Famous Players-Lasky Corp.....	(good-will)	8,181,624
Endicott-Johnson Corp.....	(good-will)	7,000,000
O' Cedar Corp.....	(good-will, patents, trade-mark)	6,920,003
Wm. Wrigley Jr. Co.....	(good-will—patents separate)	6,000,000
The Borden Co.....	(good-will, trade-marks, etc.)	5,942,876
Gillette Safety Razor.....	(patents)	4,239,500
The Shredded Wheat Co.....	(good-will, trade-marks, etc.)	4,000,000
American Cigar Co.....	(good-will)	3,315,685
W. Baker & Co., Ltd.....	(good-will)	3,000,000
Procter & Gamble Co.....	(good-will, licenses, etc.)	2,883,955
The Congoleum Co., Inc.....	(good-will and trade-marks)	1,000,864
Palmolive Company.....	(good-will, etc.)	1
Postum Cereal Company.....	(good-will, etc.)	1
Bon Ami.....	(good-will, etc.)	1
Victor Talking Machine Co..	(good-will, etc.)	1

tion; if the comparison results in a conclusion, whether warranted or unwarranted, that greater satisfaction might have been secured by buying elsewhere or from buying other goods, or if the satisfaction experienced is much less than that anticipated and also less satisfactory than satisfaction anticipated from other goods or sellers, the result is either ill-will or at least absence of good-will in the sense that the buyer wishes to repeat his buying experience. But provided the satisfaction, even though less than anticipated, is greater than could be obtained by other action, good-will still exists with respect to a particular seller.

This analysis of good-will and the conditions under which it exists is suggestive of selling methods to be employed in personal selling. If satisfaction of the buyer's wants is to be developed in such measure that there will be an inclination to repeat the purchase act, the following conditions, among others, must be met:

1. The buyer must not be allowed to expect satisfactions from his purchase which will not be realized; otherwise maximum good-will will not be developed. This is the great objection to what is commonly called overselling, to the making of exaggerated claims for a product or service which will not be realized. If the anticipated satisfactions of wants are not realized, the buyer is less inclined to repeat the performance than he would be if the transaction had given him all and even more satisfactions than he had anticipated.

2. The dealings of the buyer with the salesman and the house must be pleasing. There must be left an impression that the salesman and the house are trying to satisfy and actually are satisfying the buyer's needs and wants, and that the resultant satisfactions should be greater than if identical goods were purchased elsewhere.

The merit of the goods or services being sold is the first factor in good-will. Merit cannot be overemphasized, although it is entirely possible to define merit in such a way

as to obscure the meaning for the purpose of personal selling. The merit of goods or services will be determined by the degree of satisfaction which the goods give in use to the purchaser. This use may include value in resale or value for ultimate consumption. In the short run, it is possible for goods to have the merit of furnishing satisfactory resale value without having the merits which create good-will on the part of the consumers. In the long run, however, the merit of the goods will determine the resale value.

The merit of the goods is never to be considered apart from the price which satisfies consumers' needs, but the prices are higher in proportion to other goods which satisfy the desires almost as well. While a house may maintain trade and charge high prices for a time, the level of prices is maintained only if the goods and service likewise are sufficiently superior to warrant the difference in price over that of the goods of competitors. The merit of the sales proposition, therefore, is to be defined in the terms of the degree to which those goods and services satisfy the buying wants and desires of the purchaser in relation to the sacrifice which has to be made to secure them. If the buyer gets more satisfaction than he expects, the result is in the creation of a pleasurable feeling and a tendency to receive favorably a later proposition presented by the house.

It is here, again, that the value of underselling, of not presenting to the customer any stronger claims or arguments than are necessary to effect the sale, appears. In the case of exaggeration the reaction very definitely is a disappointment in not receiving the satisfaction hoped for, and the future relations with the salesman and with the house in remembrance of the disappointment tends to place an obstacle to his favorable consideration of later offers. On the other hand, if the goods are truthfully represented, but if not all of the merits of the goods are stressed, the satisfaction of the customer will be greater than anticipated, and the result is good-will. But it must be emphasized that

it may be unwise to rely upon the customer to find out the merits of the product which are not easily perceptible in use. Failure to emphasize merits of the product may result in the failure of the customer to recognize its merits.

ADVERTISING AS A MEANS OF CREATING GOOD-WILL

Advertising is a second means of creating good-will both prior and after purchase. It may create good-will for a product in several ways: first, by making the product and its use known to the consumer and dealer so that there is some inclination to buy the product, with the result that the amount of personal selling effort needed to make a sale is reduced; second, by acquainting the buyer with the manufacturer and seller of the product so that the buyer may be satisfied as to the desirability of the house as a source of supply. Advertising creates consumers' preference, a form of good-will. The value of this good-will is recognized by the practical man in balance-sheet terms. The definite problem of any advertising campaign is that of creating this preference. It must be remembered, however, that good-will built up by advertising may be offset by ill-will created by inefficient or poor personal selling, by the inability or the incapacity of the house to make deliveries of goods, by failure of the goods to give anticipated satisfactions, or unsatisfactory relationships with the seller.

Advertising creates good-will primarily by means of calling attention to the selling points of a product, by making appeals and suggestions to the purchaser, and by creating recognition of the product in the minds of those who read the advertisements. Very rarely, however, is consumers' "insistence" created. If it could be created economically, much of the need of personal salesmanship would disappear. The salesman's work aids advertising in realizing its fullest accomplishments, and advertising aids the salesman in his efforts to bring about the greatest volume of sales in the long run, at the lowest cost. Advertising which oversells a

product and which claims merits which the product does not possess is even more harmful than personal salesmanship which occasionally indulges in the same practice. Advertising for many years lost much of its prestige because of the tendency to make exaggerated claims for the product advertised. The best advertisers have drawn distinctly away from such a practice, realizing that poor advertising would ultimately discount to a point which might make advertising ineffective as a selling medium.

THE CREATION OF GOOD-WILL BY THE SALESMAN

The salesman plays his part in the creation of the good-will which builds customers instead of one-time buyers. The impression which the salesman creates upon the buyer as modified and confirmed by succeeding contacts is based primarily upon the development of confidence in the buyer's mind that the salesman is considering the buyer's interest as well as his own. If the buyer stops to reason it out, he realizes that in the long run it is to the seller's interest not to follow the maxim of *caveat emptor*, but rather to accept definitely the duty and responsibility and privilege of considering the buyer's interests, if the buyer is to be expected to repeat his purchase. In modern selling this is illustrated both by the practice of the effective salesman in choosing carefully the goods or services which he will offer to the prospective buyer, and by his refusal to sell those goods or services which the seller has good reason to believe will result in dissatisfaction rather than in satisfaction.

The good-will which the salesman can create for the seller himself and his employer will depend upon:

1. His attitude and conduct with relation to the buyer. The salesman's general attitude toward the buyer may be such as to create definitely displeasing impressions; or his attitude and actions in general may be such as to create a pleasing impression.

2. The buyer's opinion as to his sincerity, dependability, and willingness to consider and act within the buyer's interests.

3. The salesman's knowledge of his proposition and the way he presents it. The salesman who does not know his proposition, loses the respect of the buyer; his claims for the product are discounted and the disinclination to buy from a salesman who is ignorant of prices or uses of his product or who endeavors to sell products which do not fit the needs or wants of the prospective buyer, will make it difficult to create real good-will. Likewise, in his choice of ideas and of methods of reason or suggestion, he may please or displease the buyer.

4. The salesman's presentation of the proposition and the express or implied claims for the product in relation to the actual satisfaction derived. If the salesman expressly or impliedly makes claims for the product which are unwarranted by the facts, and which cause the buyer to expect greater satisfactions than he actually receives, good-will and the inclination to repeat will not be strengthened but rather decreased. This overselling or exaggeration is unnecessary with the salesman who has a legitimate or reasonable proposition. The salesman who either unknowingly or deliberately exaggerates, is harming himself and his employer, because, in his effort to make the immediate sale, his methods have tended to increase the amount of selling effort to make a repeat sale in comparison to what would have been required had he not exaggerated. The interests of buyer and seller in proper presentation are not conflicting.

POLICIES AND METHODS OF THE SELLER IN RELATION TO GOOD-WILL

The selling of a meritorious product and the efforts of the salesman are not sufficient to build good-will without the support of sales policies which are sound and which are carried out in a just and tactful manner. Both the sales-

man's work in building up good-will and the results of advertising may be nullified by the policies of the house with regard to cancelations, returns, prices, or by its methods of carrying out policies which of themselves are to be commended. It is in connection with the policies and practices of the house which affect the customer after the sale has been consummated, that good-will, once established, may be destroyed and sales be made more difficult if not impossible in the future.¹ The customer has his choice of accepting or rejecting an offer if the credit terms or prices are not satisfactory. But once the customer has made the purchase, he may obtain a good impression and feel well disposed toward the house if the order is delivered promptly, if his possible requests for return or cancelation are handled courteously and justly, if credit information is requested in a tactful manner; while exactly the opposite effect may be produced by tactless requests for information and blunt refusals to accept cancelations or returns without an attempt to determine whether the request is justified. In his relations with buyers, the salesman is helped or hindered by the attitude which each correspondence clerk who writes to the customer, each credit employee who has to deal with the customer, takes in his work. Salesmen have frequently had the experience, in their attempt to develop a good customer, of finding that their work has been undone

¹ An investigation concerning the reasons for the return of merchandise to 112 automotive wholesale houses resulted in the following table. It is interesting to note that less than 25% of return orders were due to mistakes of the customer, and probably less than 15% the result of carelessness upon the part of the salesman himself:

Customer's error in ordering.....	21.4%
Salesman's error	8.8
Order writer's error	2.9
Price clerk's error	8.8
Extension clerk's error	4.8
Order clerk's error	4.5
Shipping clerk's error	4.7
Defective merchandise	8.5
Exchange arrangement	8.6
On trial merchandise	4.5
Credit reasons	5.7
Goods not as ordered	7.3
Lost merchandise	2.6
Miscellaneous reasons	6.9
	<hr/>
	100%

by an ill-considered letter from a subordinate in the sales department who happened to be assigned the task of answering some legitimate request. Such careless handling of customer requests is expensive to the individual salesman who finds his work more difficult, to the house because sales are lost, and to the public because the cost of distribution is increased.

It is obvious that good-will cannot be created at the expense of departure from sound practice. It is not worth while creating the sort of good-will which must be produced at the expense of allowing customers to cancel *bona fide* orders without cause and without the permission of the seller. It is not worth while cultivating the sort of good-will which is maintained only at the expense of assuming the costs of abuses of return privileges, if the group of customers as a whole, and not the individual, abuses the privileges. It will be expected that occasionally individuals will abuse privileges, and it will be expected occasionally that such abuses should be permitted, not from lack of principle but from the standpoint of expediency. The important thing in supporting the salesman in his effort to build good-will is that every one in the sales department and in the production department should have as his motive the making of customers and not simply the making of single sales. If one adopts the attitude of making customers, he unconsciously builds for tomorrow. If he concentrates his attention on the making of an individual sale, adopting any method toward that end, there are many chances that, in securing his sale today, he will be destroying the foundation for selling more goods tomorrow.

“SERVICE”

The term service is much misused in business concerns today. It includes anything and everything. In the retail-store field it includes an entire range of activities from free delivery to health lectures and dress-making schools. In

selling to retailers, likewise, a wide range of activities has been grouped under the heading "service," from the installation of accounting systems to prompt delivery and carrying out of promises. The whole range of dealer's help is sometimes included within the term service. There is some justification for such inclusion, although it should be remembered that dealer's help of any sort is to be used for the purpose of more effectively performing the selling process. As a result of this, the retailer makes more profit and is a better merchant.

The narrowest interpretation of the word "service," in connection with a sales transaction as a basis for good-will, includes merely the carrying out of promises with reference to quality of goods and their effectiveness in use, keeping of delivery, and other, promises, and effective execution of necessary accomplishments of physical delivery of goods. The least a firm should do is to make delivery when and where promised. Unless the customer gets the goods he wants when he wants them, the value is likely to be decreased for him. The seller who gains the reputation for service is the house which keeps its promises in satisfying buyers' wants when and in the way they want them satisfied. It is a fundamental question of merchandising whether less should be expected under normal conditions from any seller. However, it is a comment on the failure of many concerns to live up to such promises and to be careless about deliveries, that a company can secure a differential advantage by carrying out promises and making prompt delivery of the goods as purchased. But variations in buying and manufacturing and the variations in demand make it difficult at times for manufacturers, wholesalers, or retailers to deliver the goods wanted by the buyers. The salesman who attempts to build up good-will for his house encounters great obstacles if deliveries are not made promptly and if the promises he makes are not carried out. While mistakes may be made and while occasional delays are inevitable, the salesman should feel assured that the

house will support him by carrying out promises which he has a right to make. Loyalty to the seller and confidence develop in the salesman, a fact which is of great value to him in successful selling.

The retailer likewise obtains good-will through the same methods of promptness of delivery and the merit of the goods which he sells. In no case is a price entirely ignored. The various retail stores in a locality acquire a reputation—good, bad, or indifferent—and while much rests on the basis of price, the amount of good-will which is attached to the institution is often sufficient to determine the existence or non-existence of profit.

DEVELOPING THE GOOD-WILL OF DEALERS

The methods of developing good-will among dealers relate, for the most part, to the manner of performing the essential services of delivery, extension of credit, collections, the handling of claims and cancelations. The less common services of manufacturers and wholesalers are those directed to increasing the profitableness of the dealer's business through assistance in reselling the manufacturer's product, or through assistance of types which do not relate particularly to the product sold but tend to increase the profitableness of the retailer's business as a whole.

In the first type of assistance given to retailers in reselling, there is, of course, the selfish purpose of increasing the sales of the manufactured article; but good-will is created because, in the process of increasing the manufacturer's sales, the sales of dealers are necessarily increased and, therefore, the profits of dealers. In so far as the resale services performed are of a type which are effective and which can be performed more economically by the manufacturer than by the retailer, there is economic justification for this practice. The manufacturer who furnishes advertising material of various sorts, who furnishes information to the retailer which will assist him in more intelligent sell-

ing of the product, may be reducing the cost to the consumer while improving the service which the retailer can give to the consumer. In so far as the services furnished by the manufacturer to the dealer are not effective or are not used, they may constitute economic waste and are not justified from the point of view of the business itself.

CONCLUSIONS

There are two indications of the existence of good-will, namely, (1) the increased volume of sales (together with a lower percentage of cost) over the amount which has been sold without the existence of good-will, and (2) the stability of sales over a period of time. Good-will, once built up, is not imperishable; in fact, it is a highly perishable asset. The preference for a particular product may disappear with startling rapidity if advertising is discontinued or personal selling effort is reduced. The reputation of the company may be remembered, but the preference for the goods quickly vanishes if selling effort is not expended continuously. Any other result would be surprising in view of the competition among competitors in some lines, among producers of substitute goods, and among all purveyors of goods for a share in the purchase of the public at large. Yet while it exists, this good-will must be evidenced by a preference which will increase the earning power to an increase of sales and profits.

It is possible to justify many things in the name of good-will. Many attempts have been made to justify unwise expenditures for advertising, for certain types of personal salesmanship, on the ground that they created good-will. No one knew and no one attempted to find out whether this good-will actually existed or not.¹

The actual existence of good-will based on salesmanship and advertising, and the existence of trade preference are

¹ Except when attempts were made to capitalize good-will, to make it appear on the balance-sheet, or when accountants attempted to furnish

proved *prima facie* by the existence of actual excess earnings. The establishment of special devices, of particular types of advertising, of special services to retailers only remotely related to the particular product sold, must all be justified on the basis of the establishment of a preference which yields additional business and additional profit. If the existence of such a preference were considered and an attempt made to measure or test it before engaging in campaigns of expenditure for the vague purpose of creating good-will, undoubtedly much might be saved. Hundreds of thousands of dollars are wasted each year in useless dealer helps, in attempts to effect resales for dealers which have failed, and in attempts to build up consumer demand or recognition which have miscarried. Dealer helps, so called, are frequently ineffective if used, and are very frequently not used at all because they have not been planned carefully enough to serve the purposes for which they were intended.

some reason for its inclusion as an asset, was there a requirement for a definite method of measurement. The method of measurement generally advocated is the excess of the earning power of the enterprise over normal return in the industry. Sometimes the measurement has been made on the basis of the difference between the average quotations of stock and the actual assets of the company, from which is subtracted a rate of return considered satisfactory in the industry. On such a basis there are many companies, some of which have capitalized good-will and some have not, in which the capitalization of earning power less a fair return yields a striking amount. In some cases, the item called good-will consists of patents, or copyright privileges of monopoly; in many other cases it is trade-marks or brands which are clearly valuable only because of the trade preference which exists for goods so identified. The experience of various companies in the capitalization of good-will is indicative of the perishable nature of the asset.

X

SELLING TO THE HOUSEHOLD CONSUMER¹

Selling in retail stores. Ascertaining the wants of the buyer. Satisfying the buyer's wants. Personal selling in retail stores fundamentally similar to other personal selling. Acquiring knowledge of the goods. Retail selling of specialties. House-to-house selling to the consumer.

WHILE ultimately every salesman is selling to the household consumer, in the sense that the consumer determines what is to be bought by the middlemen and manufacturers, the types of personal selling in which the salesman has direct contact with these consumers are chiefly two in number: First, in retail stores and agencies, to which the buyer comes whenever he wishes to purchase, or contemplates the purchase of particular types of commodities; secondly, the relatively unimportant house-to-house canvassing, in which the salesman or canvasser goes from one home to another in order to present his sales proposition and secure orders.

SELLING IN RETAIL STORES

The most common type of personal selling to the consumer is that in which the salesman deals with customers

¹ The discussion of retail selling to household consumers has been abridged primarily because good and detailed discussions are easily obtainable in the various treatises upon retail salesmanship, among which may be mentioned:

BRISCO, NORRIS A. *Retail Salesmanship*; Ronald Press, New York, 1920.

Retail Salesmanship Source Book; Ronald Press, New York, 1921.

CHARTERS, W. W. *How to Sell at Retail*; Houghton, Mifflin, Boston, 1922.

FISK, JAMES W. *Retail Selling*; Harper and Bros., New York, 1916.

IVEY, PAUL W. *Elements of Retail Salesmanship*, Macmillan Company, New York, 1923.
Salesmanship Applied; A. W. Shaw Company, Chicago, 1925.

KNEELAND, NATALIE. *Cases in Retail Salesmanship*; A. W. Shaw Company, Chicago, 1924.

LEIGH, RUTH. *The Human Side of Retail Selling*; D. Appleton and Company, New York, 1921.

NYSTROM, PAUL H. *Retail Selling and Store Management*; D. Appleton and Company, New York, 1914.

who come to the retail establishment of the seller who employs the salesman. The characteristics of this method are, briefly: First, the prospective buyer comes to the store. Only in rare cases does the salesman go out to seek the customer, although every effort may be made to bring prospective buyers into the establishment.

Second, the retail salesman must approach the buyer and find out his or her wants. Third, the salesperson must endeavor to fulfil those wants, both wants for goods to satisfy particular desires, and wants for service and prices and terms which will render the sales transaction pleasing, and result in good-will and repeat sales. Fourth, through his own attitude and actions, through the policies of the house and its performance of promises, the salesperson must endeavor to build up a basis for future visits of the buyer to the store, and a basis for future sales.

A prospective buyer comes to the retail establishment impelled by desire to satisfy definite or indefinite wants by the immediate or ultimate purchase of goods. The prospective buyer may have had previous experience or knowledge of the establishment. If the previous experience has been pleasant, or if the knowledge that the customer possesses is calculated to give him confidence that his wants can be satisfied in the establishment, the task of the salesman becomes so much less difficult. Again, the prospective buyer may have been attracted by advertising, either general advertising of the retail establishment as an institution, or specific advertising of specific goods at specific prices, which cause the buyer to wish to make certain purchases, provided the advertising claims are correct. In the next place, the prospective buyer may come on the recommendation of other persons. The salesman who satisfies one prospective buyer and who creates good-will is laying the foundation not only for future sales to that person, but also for the widening of the store's influence through the recommendation of satisfied customers. For many persons, the recommendation of friends or other persons who have dealt with

an establishment is much more effective than is any amount of paid advertising.

Prospective buyers may furthermore come into a store by chance, or as the result of curiosity. The location of stores in so-called "shopping centers" is based both upon the desire of the dealers to avail themselves of the opportunity to attract passersby, and also of facilitating the opportunity of prospective purchasers to make comparisons, knowing that for certain types of goods, particularly "shopping goods," purchases are not ordinarily made without previous comparisons with other offers. Since probably at least 80% of purchases in retail stores are made by women, this factor in certain lines becomes extremely important.

A salesperson must approach the buyer who enters, and attempt to determine his or her desires. The salesman's attitude in the approach and manner in greeting the customer and determining what the customer wants may create a favorable background for sales, or may develop an unfavorable impression or ill-will in the customer. The wants of the prospective buyer may be definitely known and definitely told to the salesman. If they are definitely known and definitely stated, the salesman's task is to satisfy those wants in so far as they can be satisfied by goods which the store offers, or by the execution of service which the store can legitimately offer. When the goods asked for are not definitely in stock or are not procurable, at mutual advantage, probably the task of the salesman may be that of suggesting to the prospective buyer some alternative method of satisfying that want.

The use of suggestion, both applied to wants that are definitely expressed and to wants which the customer has not expressed, constitutes an art which the salesman can practice only if he possesses tact and understanding of the goods on hand, and the real needs and wants of buyers.

Another situation is encountered when a prospective buyer knows only the general type of article with which he wishes to satisfy his wants, but not the details as to color,

style, finish, and the like. In such cases it is obviously possible to suggest alternative types of an article to satisfy the want in most cases, but the salesman can perform a real service for the consumer in helping to choose articles with the characteristics that are most suitable for the satisfaction of his wants. The salesperson who knows millinery well, and the adaptations of hats to various complexions, features, size, and style of hair-dressing, is in a position to develop the basis for continuous patronage of the buyers who are served.

Again, the prospective buyer may only know the wants that he wishes to have satisfied, but not the articles which will satisfy the want. Here, again, the salesperson has an opportunity to use a knowledge of goods and their uses.

Lastly, the buyer may not be conscious of a want which the salesman wishes to satisfy. It may be the function of the salesperson to suggest newer goods which will satisfy wants not pressing or not definitely stated by the buyer.

ASCERTAINING THE WANTS OF THE BUYER

In endeavoring to find out what the wants of the buyer are, the salesman will use two general means. First, he will attempt to size up the buyer by noting details of appearance and manner, from which he attempts to draw conclusions regarding the general range of wants for goods, and the attitude to be taken in dealing with the customer.

From what has been said in previous sections concerning the unreliability of all methods of sizing up customers, it may be concluded that the salesman's size-up of the buyer who comes into a retail store must be recognized as very crude, and subject to a great deal of error. However, the experienced salesperson can tell from the type of dress and from appearance whether the customer purchases expensive up-to-date clothes, or whether the person is inclined toward conservative styles with more durable materials. Such size-ups are frequently erroneous, and the salesman

who presumes upon his size-up as a basis for failing to give courteous attention is apt to lose many important sales. Some of the best and most liberal buyers do not reveal either their wealth or their capacity to buy, either by appearance, by dress, or personal adornment. It is possible, too, from the manner, to determine whether a customer is decided and positive, or timid and nervous. But beyond these and similar general impressions, the salesman cannot go safely. In all cases courtesy and an attitude of willingness to help in serving the customer and satisfy his desires will be most effective, no matter what the particular judgment may be.

The second general method of finding out the wants of the customer is by inquiry, or from a statement of the prospective buyer. Customarily a direct general inquiry as to whether the salesman may serve the buyer is made as a part of the approach to the buyer when he enters the store, but since in the stores of the United States the practice has grown of encouraging prospective buyers to come in with the assurance that they will not be urged to buy, it is frequently better to use indirect methods so as to avoid discouraging or offending prospective buyers, who do not wish to reveal their wants immediately. The suggestion of new goods that have come in, or of particular bargains, or of new styles, may help to give some definiteness to the salesman's idea of the wants which the customer wishes to satisfy. After the salesman has determined the general class of goods which the customer is interested in, he must go on to determine what range of prices the customer is willing to pay. Since most retail establishments carry various qualities and grades of goods, the salesman must attempt to find out whether the person wishes higher or lower grades, together with their characteristics.

SATISFYING THE BUYER'S WANTS

In endeavoring to satisfy the wants of the prospective customer, the retail salesman will, of course, show the

grades for which the customer asks, and such other grades which may serve the wants of the customer more satisfactorily than those asked for.

The salesman must be able to give adequate information concerning products, their uses, and the service which is offered by the retail establishment. Furthermore, a salesman must, through his attitude, his efficiency in making out sales tickets, and his promptness in serving the customer, show the customer that he is endeavoring honestly and competently to serve the buyer's needs.

Lastly, in creating good-will the salesman must realize that his own attitude and the attitude of other salespersons and other store employees and representatives will build up or tear down the reputation and the good-will of the establishment, which is fundamental for the development of any continued success.

PERSONAL SELLING IN RETAIL STORES FUNDAMENTALLY SIMILAR TO OTHER PERSONAL SELLING

As a whole, the principles governing retail salesmanship are not different from the principles governing any other type of salesmanship. Claims or suggestions not warranted by performance are scrupulously avoided by every honorable retail establishment, and when such claims are inadvertently made, they are rectified promptly and generously.

The requirements for successful selling in retail establishments are not essentially different from those of any other, although it is true that the retail salesman does not have the problem of getting access to the buyer. The buyer comes to him with more or less willingness to give attention to what the salesman may offer relating to his wants. In the preparation for effective personal selling, the retail salesperson must know his goods and the sales proposition generally. He must study and know the wants of the buyers, and he must be able to present his goods and the proposi-

tion to customers in such a way as to demonstrate to them that the wants which are to be satisfied will be satisfied by making an appropriate purchase.

ACQUIRING KNOWLEDGE OF THE GOODS

Getting knowledge of the product is a task which is difficult for many retail salespersons, though the greatest difficulty may be the lack of interest and ambition. There are several methods which may be used to secure information, if the salesman is really interested in becoming efficient in his work. In the first place, for certain types of product, his personal examination and use of the product may enable him to speak with a degree of conviction to be obtained in no other way, but such knowledge should be used not as a suggestion that because the salesman has used the product the customer should buy it, but as a means of acquiring facts which can be used to show the relation of the product to the prospective buyer's wants. It is not an effective selling point for a retail saleswoman, for example, to say to a wealthy buyer that she has used the product herself.

Second, the more progressive retail establishments provide in a more or less definite manner for the training of their salespersons, and through classes or manuals, or through tests of the product, convey to the salesman the necessary knowledge to be used in selling. Since the viewpoint of the store managers in training sales forces should be that of furnishing the knowledge which is most useful to the salesman, this should be and is an effective method for the salesperson who is willing, and anxious, to acquire information.

In the third place, salespersons may procure their knowledge of goods by questioning other salesmen and employees, though in such cases the completeness of the facts which are secured could be questioned.

Fourth, the salesperson who is alert can, through conversation with customers, frequently secure information of

value concerning the uses and characteristics of products which the customers have used, concerning the needs which they wish satisfied, and the way in which they wish them satisfied. If the salesperson possesses imagination and ability to place himself mentally in the customer's position, the task of acquiring and adjusting knowledge of the product to the proper presentation will be greatly facilitated.

Lastly, for an increasing list of goods, the ambitious salesperson can secure knowledge through the reading of books. Series of retail store manuals dealing with various departments have been and are being published, which furnish general and specific information, of use to the salesperson in dealing with prospective buyers of such goods.¹ Obviously such manuals cannot deal with specific styles or specific models which the store may carry, but to a certain extent the information which the retail salesperson lacks and which is needed for the effective performance of his job is of a character which applies to all goods of a general class.

In addition to these retail manuals, there are many general books which deal with specific commodities, books which will give the salesperson a background and an interest in what he is selling.² A study of them should be reflected in better service to the customer, and increased sales and earnings to the salesman.

RETAIL SELLING OF SPECIALTIES

Selling to consumers in other than so-called retail establishments—in automobile and insurance agencies, for example—involves problems which are much similar to those of the salesman in the usual type of retail establishment, the difference being one in degree of information which the customer desires, and the amount of comparison which the

¹ One series of manuals published is that compiled by the Research Bureau for Retail Training of the University of Pittsburgh, *Merchandise Manuals for Retail Salespeople*, A. W. Shaw Company, Chicago, 1924, 18 v.

² See footnote on page 259.

customer ordinarily makes before coming to a decision as to purchase. In such selling it is usually necessary for the salesman to go to the prospective customer.

In selling intangibles such as insurance to prospective buyers, the fact that the want is potential, and that the desire is not ordinarily felt consciously enough to make the buyer seek the seller, renders it necessary for the insurance salesman to seek the buyer. It is necessary to hunt prospects. Just as in special lines involving larger expenditure, such as the more expensive electrical appliances, automobiles, and trucks, selling in retail stores has been supplemented by active solicitation of buyers in their homes or elsewhere, usually upon the basis of definite lists of names or prospects, the process of calling upon consumers being confined to these so selected.

The building up of prospect lists presents in detail essentially the problems that every salesman and every sales manager confronts in planning his work. The task of the insurance salesman, for example, is more difficult because the product is intangible, but the almost universal need renders it possible to limit the selection of prospects to those who are more likely to be moved to buy when the need is made evident.

HOUSE-TO-HOUSE SELLING TO THE CONSUMER

House-to-house selling to the consumer has attained considerable attention during the last few years because of the success of a few companies such as the Fuller Brush, Real Silk Hosiery, and Aluminum Cooking Utensil companies. As a consequence of these conspicuous successes, many manufacturers and some wholesalers have tried or contemplate trying this method of distribution. There is something alluring to many producers in the idea of going directly to the consumer; of obtaining "control" of the consumer market. The alluring features of the plan are often advanced without considering the drawbacks to the plan,

both from the view-point of the distributing plan and from the view-point of the salesman upon whom the success of the plan depends.

The success of house-to-house selling rests upon the ability of the sales organization to obtain, develop, and maintain an adequate and efficient sales force. From the view-point of the salesman, house-to-house canvassing has several merits. It is remunerative if successful. Salesmen are generally paid upon a commission basis, and, if successful, commissions may be larger than those which would be obtainable in the same locality for a similar amount of work. Furthermore, the canvasser or house-to-house salesman gets many contacts with buyers and prospective buyers, and secures a rich and varied experience in dealing with human nature. With a few companies, the positions offered are steady and fairly remunerative, though generally the work is strenuous. On the other hand, there are a number of objections which have to be considered by salesmen who plan to go into house-to-house canvassing for more than a limited period.

First, the salesman in house-to-house canvassing, since he is paid on a commission plan, assumes heavy risks. Some risk must be assumed in any occupation. If the sales proposition is unreliable, however, or the house back of it consciously or unconsciously lacks the ability to fulfil its promises, the salesman will find that he has assumed too great a risk. The more shaky the general proposition, the less carefully organized and trained the salesman is before undertaking house-to-house canvassing, and the greater the risk he assumes.

Second, house-to-house canvassing is becoming steadily more difficult, particularly for newer entrants into the field. The increase in the number of canvassers and the number of companies selling in this way has rendered it difficult for any canvasser to get access to the householder to present his sales proposition. Leading companies have found it advisable and necessary both to announce the coming of

their salesmen, and to advertise extensively to create a prestige and background, so that their salesmen may be admitted without encountering the opposition which is becoming more and more characteristic of most communities in the country. Obviously, if access becomes difficult or impossible, the salesman's chance of making earnings or making sales is greatly lessened. The reasons for the growing difficulty of securing access are not difficult to understand. Frequently the householder tends to resent the increasing frequency of interruptions, and entirely irrespective of the personality and of the approach of the canvasser is apt to be prejudiced against him merely because he constitutes one of several who have interrupted the prospective buyer when he or she wished to devote time to other things.

In the fourth place, the salesmen for many lines must realize that since the products they sell carry with them no repeat demand, the work of the salesmen in building up good-will does not bring proportionate returns, returns which can be secured in other forms of selling. The salesman who sells vacuum cleaners from house to house is not building up a basis for increased earnings and volume of sales except by his own increased effectiveness or his promotion within the ranks of the company; and since house-to-house canvassers must be numerous in proportion to major executive officers, their chances of promotion are no greater than in a retail store.

Lastly, and perhaps the most important, is the fact that the plan of distribution by house-to-house canvassing seems in many cases to be uneconomical, therefore unsound, and only in exceptional cases will a company be able to maintain a large volume and survive.

XI

SELLING TO THE RETAILERS

Importance of selling to retailers. Retailers' wants in relation to buying. Selling the regular retailer. Selling to department stores. Selling to chain stores. Selling to mail-order houses and other retailers. Stock-turn in relation to selling to retailers.

NEXT to retail salesmen more persons are concerned with selling to retail establishments than to any other type of buyer. This conclusion can easily be drawn from an examination of the number of retailers existing in various important trades. While, peculiarly enough, there is no complete data as to the number of retailers and the extent of retailing activity, there are some estimates which bring together scattered data in the endeavor to determine the importance of retail trade and the relative size of the retail unit. An estimate by Lawrence Mann¹ gives the number of persons employed in retail establishments during 1919 as 3,350,000. There are about 1,300,000 retailers and over 1,200 mail-order houses in the country each doing a business of \$100,000 and over a year, with 4,000 chain organizations comprising 65,000 unit stores and 8,000 commissary stores.² These must be recorded not only as distributing units, but as buying units which, with the exception of the chain stores, must usually be approached individually by salesmen in connection with the distribution of goods.

Obviously all types of retailers, by the nature of their business, are purchasing for resale, but there are vast differences in the methods of purchase and the principles of purchase underlying the practices of the different groups. Retailers may be classified into several different groups; first

¹ *American Economic Review*, December, 1923, p. 609.

² *Harvard Business Review*, January, 1925, p. 150.

there are the independent retailers or unit stores, the largest group of all, each unit usually managed by the proprietor. The average size is considerably smaller for this group than for the other types which are sometimes classified as the "newer types" of retailers. Among these can be distinguished, first, chain stores, an organization of several unit stores under the same management usually selling the same type of products and having many of the important functions, including buying, performed by a central organization; second, department stores, selling a number of products in distinct departments under one roof; third, mail-order houses, selling limited lines of products in some cases and extensive lines in others, the name of which is derived from its method of selling. A more recent development is the cooperative store, which is of importance in Europe but as yet has not become of particular importance in the United States. These cooperative retailing organizations are to be distinguished from cooperative marketing or buying organizations.

RETAILERS' WANTS IN RELATION TO BUYING

As has been mentioned, the prime reason for purchase by the retailer is profit through resale, not only immediate profit from the view-point of the immediate sale, but also continued profit through the development of the good-will of the purchasing public. A retailer who conducts his business on a sound basis might make a larger immediate profit by purchasing poor goods to sell at the price of better goods, but that profit would be only immediately large. It would be offset by the loss of custom and of the confidence of the public in future dealings with that merchant; so that long-run profit is to be considered the most effective buying motive to which appeal can be made in selling to the retailer.

The profit from resale, however, may be interpreted in a number of different ways. It may be interpreted in

terms of building up the prestige of the retailer for a quality which is higher than is usual, for a given price. It may be interpreted in the care with which the retailer selects his stock and advises his customers in their purchases. The retailer may feel that his profit lies in purchasing, not on the basis of price alone, but on the basis of assurance of supplies and of delivery, so that he will be able to secure the service needed for effective conduct of his retail business, knowing that continued profit is based on the rendition of service to the customer. However, the retailer, in the final analysis, must learn the wants of the customer and endeavor to translate them into definite ideas concerning the goods which he is to buy. It is frequently assumed that the retailer is not moved by other than rational motives in making his purchases. It is probably true that most retailers in the last analysis are not free from the purely acquisitive motive, but they allow their own personal preferences to become identified with those of their customers. Frequently they do not separate their own preferences from those of the public in the endeavor to purchase what will resell. Too many retailers are inclined to purchase what they like, not what their best judgment tells them that those who buy from them will like sufficiently to purchase. Too many retailers allow personal prejudice, friendships, and animosities to overcome better judgment both in the selection of the house from which to purchase and in the selection of the goods purchased.

The fact that most retailers are inadequately fitted for the most efficient conduct of their work, the fact that most retailers could not acquire sufficient knowledge of each of the various goods which they handle to match the knowledge of the salesman, lead many of them to place great dependence upon the salesman; in fact, leads them to place such confidence that the salesman makes out orders for what he thinks the buyers need. So long as the salesman has knowledge of his goods, knowledge of the needs of his customer and good judgment, the plan will work out satisfactorily.

It places the salesman in a position of trust which it should be his duty and privilege to fulfil adequately.

As retail establishments grow larger, the task of becoming acquainted with the goods or of buying the goods becomes sufficiently great so that some specialization may take place within the retail establishment. Buyers develop who become familiar with individual lines and may become much more familiar with the product and the market for the product which they are buying than is the average salesman who is trying to sell to them. The increasing reliance on facts is characteristic in the gradation from the purchase by the proprietor of all the articles in the retail store to purchase by highly specialized retail buyers in large department stores and chain stores. In the measure that buying becomes specialized, rational motives play a greater part in selling and buying and emotional or instinctive motives play a lesser part. The statement may be made that rational motives determine the retail purchases, but in attempting to rationalize buying motives, the retailer must interpret, and the wholesale salesman must help him interpret the motives of consumers and the relationship of those motives to the goods in question, with full knowledge that such motives are for the most part instinctive.

SELLING THE REGULAR RETAILER

The most important single type of retail establishment is the so-called unit store, the regular retailer, the single store managed by its proprietor. Dr. Nystrom¹ estimated the volume of retail business done by unit stores, in 1923, at 68% of the total amount of retail trade, which amounted to \$35,000,000,000 annually. In other words, the unit stores, as a group, did over twice as much business as all of the other types of department stores, chain stores, and mail-order houses, put together.

Ordinarily the proprietor of the store does the buying and

¹ *Harvard Business Review*, January, 1925. p. 158.

the problem of the salesman is that of securing the attention of the buyer, of eliminating as much waste time as possible in having to wait until he may find it convenient to devote a few moments to the salesman. In the smaller establishments, the fact that the proprietor engages in all other types of activities as well, increases the difficulty of getting a satisfactory interview with him and the fact that many of them do not realize what good management is and know comparatively little about the proper management of retail business, renders it possible for the enterprising salesman and necessary for every salesman to recognize the advantages of many other buying appeals besides those which may be termed rational.

There are several points that the salesmen who call upon unit stores must bear in mind. First, there is the fear of unit-store proprietors that they cannot meet the competition of the newer types of retailers—that they cannot meet the competition of the chain stores or of the department stores which buy in large quantities and which frequently put on cut-price sales, selling at prices which may be lower than the buying prices of the unit retailer. Second, the salesman must bear in mind that the average retailer of the unit store is not and cannot be as fully informed about merchandising methods and about markets as progressive retailers would like to be. Both from the view-point of the manufacturer or wholesaler and from the view-point of the retailer, the salesman who tactfully but effectively helps the retailer to become a better merchant, is performing a distinct service which should ultimately be effective in lower costs of distribution. The salesman who sells to retailers should, therefore, have distinctly in mind the advantages of the retail stores in competition with the other stores and the handicap under which such a store is put in competition. Such knowledge will enable the salesman to stress those points which help the salesman in his competition and will permit the salesman to be of greater general assistance to the independent retailer.

The advantages possessed by the independent retailer rest chiefly upon the possibility open to him of forming contacts with the public, which make repeat sales much easier than would otherwise be possible. With a small personnel he is able to inject a personal element into the supervision of his sales force, to cut down overhead and eliminate waste, and in this way avoid many of the costs which are characteristic of the larger retail establishments. On the other hand, the independent retailer is compelled to buy in small quantities, and as a consequence, in the purchase of certain types of goods, his advantage of personal supervision is offset by the higher prices he must pay. Furthermore, he must be content ordinarily with less expert guidance in the details of his business than is the larger retail establishment, such as the department-store or chain-store organization. The smaller retailer cannot afford to have specialist window trimmers, advertising managers, accounting managers, or the like.

As a whole, there are no definite data relative to the efficiency of one type of organization over the other. Investigations which have been made under scientific supervision seem to indicate that the independent retailer can hold his own with any other type of retail establishment provided comparisons are made between efficiently managed unit stores and efficiently managed department or chain companies. In fact, there is some evidence that beyond a certain size the efficiency of a unit store decreases rather than increases.

The independent retailer buys from several different sources. First and commonly he buys from middlemen, usually classed as wholesalers or jobbers. Second, to an increasing extent he is buying directly from the manufacturer, because many manufacturers have decided to go directly to the retailer with their offers. To some extent the retail store may buy through cooperative associations, that is, groups of retailers banded together for the purpose of securing the advantages of large-scale buying, and thereby

meet one of the prime advantages of the chain or department-store establishments. The retailer may occasionally purchase through a buying exchange, or through a buying office established by other stores, though ordinarily the smaller retailer is not in a position to establish his own resident buying office in market centers. Many independent retailers selling style goods plan to go to primary markets at regular intervals for the purpose of studying styles and models, and making comparisons in convenient fashion.

The buying organization of the unit retailer is ordinarily very simple; in fact, the buying is usually done by the proprietor himself. As establishments grow larger, the work of buying for particular departments may be entrusted to a clerk. Further development brings about a specialization, so that buyers are made responsible for one or several departments or lines of goods. This development tends toward an organization much similar to that which is characteristic of department stores, an organization consisting of buyers and assistant buyers, with similar buying practices.

The problem of the proprietor or the buyer in the independent store is fundamentally the same as that of the buyer in any other retail establishment; namely, to get the right goods at right prices, at the right time, and in the right quantities. In other words, the retailer must:

(*a*) Determine the quantities, workmanship, and finish of the goods which he has to buy. The determination of qualities will depend upon the type of clientele to which the store caters, and upon the composite of various qualities, to give the satisfaction which customers may expect of the particular goods purchased.

(*b*) Select the styles, colors, and sizes which are necessary. One of the most difficult tasks is to determine the styles which will be popular in a locality. In one locality extreme styles may prove popular and salable. In another, such styles may be totally unsalable. Furthermore, in the

purchase of ready-to-wear garments, shoes, and so forth, care must be taken to secure a selection of sizes which will enable the retailer to satisfy demands without the danger of huge overstocks, which must be marked down at the end of the season.

(c) Determine prices and select deliveries. The retailer must estimate the prices which he can pay in order to sell the goods at prices which the public is willing to pay in turn. He must determine when deliveries are to be made in order to meet the demand, and to avoid shortages at the time when the demand is strongest.

(d) Arrange for terms, discounts, and the conditions which will serve his needs. He may find it necessary to arrange for datings to enable him to carry on business of the size he desires to do with the capital which he has.

The salesman can help the buyer in a number of different ways in addition to his presentation of his own proposition. He can help the buyer to secure a wider knowledge of the markets in which he may purchase other goods that he needs, and he may help the retailer to determine the wants of his community, which will result in the purchase of the proper items for his stock. Much more definitely can the salesman help the retailer in knowing about the product he is selling. In fact, the salesman, realizing that the retailer is compelled to distribute his attention over a large number of items, will be welcome, and the retailer will be helped materially by knowing about the product which the salesman is trying to sell. Likewise, general price tendencies are of interest to the retailer, and the salesman is in a better position to give information to the retail buyer than is any one else. Much of the dealer help which will enable the retailer to sell more of the salesman's goods may be offered by the salesman who is alert to the real needs and wants of the retailer. This is the particular opportunity for the jobbing salesman, who, in helping the retailer to become a better merchant in recording his transactions or in guiding

his sales activities, reaps the benefit through greater good-will and consequent repeat sales.

The requirements for selling to the independent retailer are precisely the same, fundamentally, as for selling to wholesale or professional buyers. A knowledge of the product and the sales proposition, knowledge of the customer's wants and needs, and ability to present the sales proposition effectively are the requisites for success in selling to retailers. However, many salesmen make the mistake of failing to take the customer's needs and prejudices into account. They make promises which cannot be carried out. They sell competitors when they have promised exclusive representation, they urge the retailer to overbuy, they misrepresent goods, they accept orders which cannot be delivered according to promise, they are ignorant of the goods which they are selling. The result is that the salesman is utterly incapable of developing the foundation of good-will upon which economical distribution to retailers must rest.

SELLING TO DEPARTMENT STORES

The salesman who essays to sell to department stores meets, very generally, professional buyers. The buying organization of department stores, which is also characteristic of the more highly organized specialty or unit stores, consists ordinarily of a merchandise manager who is responsible for the general plans for procuring merchandise. In his general work he has assistants or division managers under whom are the buyers and assistant buyers, who are the persons with whom the salesman comes directly into contact in presenting his sales proposition.

The buying organization in department stores is of very great importance, although relatively not as important today as in the past when the bulk of emphasis was placed upon buying, with entirely insufficient emphasis on the selling problems of the organization. The buyer is interested in the sales, but only in so far as they show him what goods

or types of goods he should buy. While in some department stores he has charge of the department, ordinarily he does not, but is responsible for the results as indicated by the fact that he is frequently paid a commission on gross profit.

The department-store buyer purchases from a number of different sources. The buyer may make his purchases from the salesman who calls upon him in the store, or the buyer may call upon the salesman in the sample room of a hotel. Most buyers prefer to have the salesman call upon them, and the well-managed department store provides that every salesman shall secure a hearing either by the buyer or his assistant. Rooms are provided where samples can be displayed within the store: the salesman must therefore be prepared to present his proposition briefly and concisely, with recognition of the needs of the department store not only for goods but for the other elements of the sales proposition.

Department stores, in the second place, buy largely in primary markets. There are groups of department stores which make their purchases through cooperative buying associations. There are many department stores which maintain resident buyers in important market centers, purchasing always from manufacturers except for so-called "fill-in" orders. Department stores likewise purchase from wholesalers, but primarily for fill-in orders or small amounts which they could not advantageously purchase, either because of price or delivery, from the manufacturer.

The department-store buyer's problem is to find out what the customers of the store want, and to provide for the satisfaction of those wants. In this respect it is no different from the problem of the independent retailer, though in the larger quantities mistakes are apt to be more disastrous. The buyer looks first of all for salability in the goods which he purchases. Goods are watched carefully, and well-organized stores provide definite systems for determining the rate of turnover and the amount of loss suffered from mark-downs upon goods purchased from particular manu-

facturers. The salesman, therefore, who is successful in overloading a department-store buyer finds that if the store suffers loss through mark-downs or slow turnover, a black mark is chalked up against his house.

In the next place, the department-store buyer in planning his procurement of merchandise must be assured of deliveries at the proper times. He wants the goods delivered not too early because they clutter up and increase warehouse expense, nor too late because sales are lost thereby. The reputation of a house for deliveries of the goods as ordered, and at the proper time in the proper quantities, is a very important factor in the buyer's decisions. The department-store buyer cannot ordinarily become interested in purchasing an original proposition, unless he is assured that repeat orders, even though the demand may be developed, can and will be filled by the manufacturer. Again, prices and terms play a large part in the department-store buyer's demands of salesmen, a matter which will be discussed in greater detail when limits placed upon buyers are taken up.

Department-store buyers operate under limits which are of two types. There are limitations imposed by customers of the store with regard to guaranty. Every department store which builds up a reputation for repeat trade must stand back of its goods; consequently the buyer must be assured that the goods that he purchases can be profitably sold under the conditions of the general guaranty which the department store offers. Furthermore, customers expect that on identical goods the same prices will prevail. In other cases the brand policy of the store may be such that the buyer's definite limits upon the quality and characteristics of the product which can be purchased, result from the fact that the store brand must consistently indicate a quality upon which reputation has been built.

The second class of limitations placed upon retail buyers in retail stores, particularly department stores, consists of the merchandise control. In the large department store having dozens or even hundreds of departments, the amount

of sales and amount of purchases may be carefully estimated, to allow the specialized buyers leeway in the volume of purchases, without increasing the investment to a point which would render operations unprofitable. The common system is that of providing definite budget figures for each buyer, either for the yearly or half-yearly period. The buyer may purchase up to that amount, but not beyond it, except by special authorization of governing officials, which is given only infrequently. As a consequence, the buyer who has exhausted his amount of purchase budget is not in the market for further goods, although the salesman may find it possible to present his sales proposition as a basis for future consideration when a new budget is effective. When the buyer has used up only a part of his budget figure, he is "open to buy."

Another limitation placed upon the buyer in addition to his total budget figure is the fact that the store must carry a variety of products in each line at a variety of prices. The range of these prices is subject to very careful study by some stores. It is declared that each store should carry three price lines, first and most important being the price line in which the fullest stock is to be carried and which constitutes the bulk of the sales. For the store appealing to lower-class buyers this price range would include a line of very low-priced goods, a line of low-priced goods, and a higher or medium-priced line. A store catering to middle-class purchasers would carry a low-priced line, the bulk of its purchases being concentrated on the second or medium-priced line, and carrying a higher-priced line frequently for the purpose both of giving prestige to the establishment and of developing a basis for "trading up." It has been observed in department and other stores, that the display of high-priced goods in the proximity of medium-priced goods tends to increase the average level of prices and qualities sold to middle-class buyers.

Another limitation placed upon department-store buyers relates to terms and discounts. To the salesman who tries

to sell to buyers it may seem that buyers constantly demand large cash discounts rather than net prices. This apparent disregard of net prices is due to the practice of many department stores in requiring that the buyers get a certain discount, which is set up on the books for purposes of furnishing profits. Some stores make the practice of charging the buyer with this cash discount, even if he does not secure it from the seller. For instance, a buyer may secure only 2% cash discount and yet obtain a very satisfactory net price; nevertheless, he is charged up with the higher figure which may be fixed by the department store, so that goods costing \$1 apiece are made to cost him \$1.08 instead.

A further limitation upon the buyer is placed by the policy of the house with reference to brands. Many department stores have come to the conclusion that in order to secure adequate supplies and maintain quality, particularly in the case of goods produced by small manufacturers, they must utilize their own brands rather than those of manufacturers. Again, there is the belief that since the store is prepared to stand back of its goods, its own reputation for its brands is more important and more helpful in building up a good business than is the manufacturer's reputation. It is probable that no more than 10% of the stock of most department stores consists of manufacturers' brands.

Lastly, the buyer is limited in purchasing goods which are sold by salesmen with due regard to the desirability or necessity of exclusive agencies. Even though the store does not demand an exclusive agency for a particular line, it may demand exclusive designs, and ordinarily a store will not aggressively merchandise any manufacturer's brand if an exclusive agency is not granted. The reasons are fairly obvious.

In placing orders the salesman must remember that in practically every department store there is a standing requirement that all orders be confirmed by the merchandise manager's department. The house which ships prior to confirmation is running a grave risk of having goods returned.

In some stores buyers are permitted to place orders for small amounts without such confirmation. In placing orders the buyer specifies the product, price, quality, terms, dates, and methods of delivery. When orders are confirmed there is little chance of cancelation, at least if orders are given by the better class of department stores. Unconfirmed orders are therefore subject to cancelation.

In ordering style goods, some stores follow the practice of placing a few orders in advance, in an endeavor to test out the salability of various styles. The style which a particular store can handle successfully will depend in part upon the character of the trade to which it caters. If a store does handle style goods, however, it is necessary that the buyers recognize the style cycle, as Mr. Cherington calls it, in speaking of the woman's outer clothing industry.

It begins with (1) the creation of the style. This may take months of diligent research and patient study, or it may come almost "overnight," as the result of some unusual occasion of world-wide interest. One style, which has been carefully studied and prepared for the public may be a flat failure, while another, created by some stroke of genius, may make a furore in the social circles of several countries.

Next, a "creation" must be (2) adopted. This process, like that of creating, may be very sudden or may be prolonged, again often depending upon unforeseen circumstances. Once a style is adopted, however, the third stage of (3) popularization quickly follows. With the aid of the wireless telegraph, cables, newspapers, and illustrated magazines, a style, once started, spreads very rapidly. The result is a rapid and very real demand, which brings with it, (4) large-scale production, the fourth step in the cycle.

The very thing, however, which results in this large-scale production, introduces the last step, to complete the cycle. As soon as cheaper imitations of the original and more exclusive models begin to appear, the style leaders turn to some newer and, therefore, less popular model. Thus occurs (5) abandonment, and one more change from the older to

the new. After a store determines, however, its policies toward price range, variety of models, and so on, it can develop a calendar for the assistance of its buyers in the purchase of style goods.

In the purchase of staple goods, on the other hand, the necessity of complete stocks to take advantage of the repeat orders brings with it the requirement of reserve stocks, which of course are kept at minimum size consistent with safety and consistent with judgment as to the trend of prices.

SELLING TO CHAIN STORES

The chain store, a group of unit stores under a single management, has in recent years undergone very rapid development and expansion. The size of chain-store organizations varies widely, from those comprising a very few stores to those whose stores number hundreds and even thousands. A wide range of products is sold by these stores, which include groceries, drugs, clothing, dry-goods and notions, confectionery, tobacco, shoes, musical instruments, hardware, automobile accessories, as well as other lines. As a whole, the chain stores are not and probably will never be as important as the unit store, but the proportion of trade handled by the chain store has increased rapidly. The chain store has certain advantages, the principal one being that of its ability to buy in huge quantities for cash. Furthermore, goods can be shifted from points where they are unsalable to other points where they are more salable. Many chain stores have been very successful in choosing and occupying the best locations.

Chain stores provide expert direction of various features of retail-store management at a minimum expense to each of the units. Likewise, the cost of supervision is said to be smaller. On the other hand, the chain store lacks the personal interest of the proprietor in management. Hired managers must be utilized, although this disadvantage is offset in certain chains which give managers part ownership.

Supervision tends to become cumbersome, elaborate, and expensive. A further important disadvantage is the lack of personal contact with the customer.

In selling to the larger chain stores the salesman ordinarily deals with professional buyers. These buyers may operate for a group of stores, purchasing all articles; or they may purchase particular lines for all stores. In one chain grocery company, all the buying is done by the purchasing department located in the main office in the largest city. There are seven buyers subordinated to the head buyer: the produce buyer in charge of purchases of fruits and dried vegetables; a butter buyer, in charge of butter, oleo-margarine, eggs, and cheese; a coffee buyer for coffee, tea, and spices; a staple-goods buyer in charge of sugar, flour, rice, and the like; a canned-goods buyer for canned vegetables, fruits, and fish; a grocery buyer in charge of canned milk, cookies and crackers, and such miscellaneous grocery items as laundry supplies, jelly powders, cereals, package flours, and yeast; and a miscellaneous buyer, who purchases pickles, olives, catsups, and fancy or imported products.

Store managers are only infrequently allowed to make purchases for the stores, and only for more or less perishable goods which cannot be well stored and handled by a centralized buying organization. In the case of one shoe chain, store managers are allowed to purchase only cleaning supplies for the store; all of the stock handled by the stores is ordered directly from a central warehouse.

Chain-store organizations generally prefer to buy in quantities from the manufacturer, although in the very early stages it is customary to use the jobber, gradually shifting to the manufacturers as the quantities purchased increase.¹

¹ In a recent study made by W. H. Mullen, it was shown that the larger grocery chains purchased some portion of their supplies of practically every article directly from the manufacturer, and as a whole about 85% was purchased in this manner, although in some lines, such as cereals and macaroni, jobbers seemed to have a stronger position. Grocery chains purchase almost 100% of their bakery foods, 90% of their flours, and almost 65% of their soap direct from the manufacturer. The drug chains purchase approxi-

As in the case of department stores, the jobber is used for fill-in orders, or for the purchase of goods which must be handled and which cannot be bought directly from the manufacturer. Some manufacturers refuse to sell to chains, although this is now the exception rather than the rule.

The smaller chains combine in various ways to form purchasing syndicates, and have their own buyers in primary markets. Ordinarily, however, chain-store buyers remain in their offices, and deal with sellers who come to them.

It is obvious from the study of the buying organization of chain stores, that their buyers are experts, whose problems in general are the same as those of other retail buyers, but whose resources and whose purchases are larger than those of any other class. They must have salable goods. They must get them in sufficient quantities and when they are needed; but since many chain stores feature the prices at which they sell their goods, they are very insistent upon using their bargaining strength in securing prices which will permit them to sell at a profit, even though cutting retail prices. Like department-store buyers, chain-store buyers very carefully study the sellers with whom they deal, and satisfactory experience helps to secure repeat orders; unsatisfactory experience makes it difficult to secure repeat orders except under unusual conditions.

Chain-store buyers must operate under budget estimates as do other professional retail buyers. Generally, the stores favor private brands as against manufacturers' brands, frequently using the manufacturers' brands for the purpose of cutting prices. In selling to chain stores, therefore, a salesman must know his proposition, and be able to present it in such a way as to show that he realizes the sort of proposition which is of interest to the chain-store organization with regard to qualities, prices, and terms.

mately 80% of their drugs and chemicals, stationery, rubber goods, cigars and tobaccos directly from the producer. In fact, the elimination of the jobber in the drug field is almost as complete as in the grocery trade. Both shoe and tobacco chains probably buy over 90% of their stock direct from the manufacturer. — *Harvard Business Review*, October, 1924, pp. 69-80.

SELLING TO MAIL-ORDER HOUSES AND OTHER
RETAILERS

A mail-order house aims to buy in primary markets from producers. Its buying department is specialized, just as are the buying departments of other large retail establishments. Every merchandise department, however, has its buyer, who is usually the head of the department. The necessity of making the goods and the prices attractive in themselves, without the advantage of personal contact directly or indirectly, lays a great deal of responsibility upon the buyer. The buyer's job is very important, and mail-order buyers are very highly paid if they can show successful experience.

A mail-order house buys in large quantities but is compelled to buy at a price. Like the chain-store buyer and the department-store buyer, plenty of cash is provided, and the mail-order buyer is especially on the lookout for bargains, for end-of-the-season lots, for manufacturers' surpluses, and for special offers which may be the result of the embarrassment of manufacturers.

The sale to other types of retail establishments follows the same general methods as those already outlined for the chief types. The organization in smaller stores is simple, while there are specialized buyers in the larger stores. Co-operative stores are usually managed by a hired manager, who is also the buyer; and in selling to cooperative associations of retailers, particularly associations which employ professional buyers, the problems of the salesman are in general similar to those encountered in selling to large retailers, chain stores, or wholesalers.

STOCK-TURN IN RELATION TO SELLING TO RETAILERS

Whatever the ultimate wants of the retailer, the immediate want is a desire for present and continued profit. The short-sighted retailer looks only to present profit. The far-sighted one considers both, though he is frequently willing

to forego immediate profit if he can develop a basis for continued future returns.

The volume of gross profit which the retailer secures depends upon the rate of profit, the volume of sale, and the amount of stock carried. The higher the rate of profit or the greater the volume of sales, other things remaining the same, the greater the volume of gross profit. The statement is sometimes made that the smaller the amount of investment in stock, the greater the profit; but such a statement is subject to much qualification. Unless the stock carried is sufficiently large to fill consumers' wants in a reasonably satisfactory manner, customers will not be developed or retained, and profits will be decreased. Small and incomplete stocks of only the most rapidly selling items may for a time yield large sales in proportion to stock carried; but whether such sales will persist will depend upon the relative adequacy of stocks to meet actual demands of prospective buyers.

For many years retailers have been urged to buy in small lots in order to increase the rate of stock-turn and profits. By rate of the stock-turn is meant the rate at which the average stock carried is sold. If sales during the year amount to five times the average amount of stock carried, the rate of stock-turn is 5. The formula usually given is

$$\text{Stock-turn} = \frac{\text{Volume of Sales}}{\text{Selling Price of Average Stock during Period}}$$

Usually the stock is taken as the average of stocks at the beginning and at the end of the year. Where monthly inventories are available it is possible to obtain a more accurate figure of average inventory.¹

For the salesman who is willing to help the retailer become a better customer, knowledge of the elements of accounting for retail stores and of stock-turn and its relation to profits may become a valuable tool. The salesman is anxious to have the retailer increase his sales and rate of

¹See Appendices D and E for the stock-turn in representative lines of the retail trade.

stock-turn because it means more orders with business on a sounder basis for the salesman. Through help in resale, the salesman may help the retailer to increase the volume of sales; by selling him smaller orders at more frequent intervals, he helps the retailer to make his investment in stock more productive. However, the insistence upon stock-turn may be carried to an unprofitable extreme in which the orders sold by the manufacturer or jobber are likewise so small that the profit to the retailer is offset by the loss to other distributors in handling uneconomically small orders.

Studies of the profitableness of retail businesses show that there is some relationship between turnover and profit, though not so direct as one might expect. A rapid rate of stock-turnover is apt to be accompanied by a larger volume of net sales and lower percentages of selling expenses, fixed charges, total expense, and gross margin, than are found with a slow rate of stock-turn. Such a condition may be affected adversely, however, by either a rising or a falling market. Net profits on a rising market, however, may be larger if the stock-turn is slow. The best test of an efficiently conducted business, moreover, is the ratio of expense to sales, not the gross margin, nor its relation to net sales. It is difficult to prove a direct connection between low selling expenses and rapid stock-turnover. Sometimes rapid stock-turn and high management expenses go together. In the long run, however, there does seem to be a direct relation between stock-turn and fixed charges.

Although the rate of stock-turn thus directly affects the percentage of total fixed charges and upkeep expense, it does not follow that a policy of increasing the rapidity of stock-turn can be followed without any limitations. In the first place the desire to achieve a rapid rate of stock-turn should not be permitted to interfere with careful buying; that is, a saving in expenses that might be achieved through increasing the rate of stock-turn must sometimes be balanced against the higher cost of merchandise purchased in smaller quantities. Furthermore, a merchant cannot pin his

faith so exclusively to stock-turn that he neglects to maintain an ample range of selection in the merchandise carried. Frequently, also, a store must have seasonal goods, popular style merchandise, or other goods demanded by its clientele, even though these sometimes interfere with planned stocks or planned rates of stock-turn. And certainly a rapid rate of stock-turn cannot take the place of an accurate knowledge of costs and a corresponding adjustment of the margin of gross profits.

The effect of stock-turn on fixed charges alone usually is not great enough to account entirely for the lower total expense percentage that ordinarily accompanies a rapid rate of stock-turn. It is therefore indicated that a rapid rate of stock-turn is more significant as an index of all-round efficient management leading to lower expenses than as a factor that will in itself produce lower expenses and higher profits.¹

¹ *Harvard Business Review*, October, 1922, pp. 87-95.

XII

SELLING TO WHOLESALERS, MANUFACTURERS, AND WHOLESALE CONSUMERS

Selling to wholesalers and jobbers. Buying methods and organization of jobbers. The wants of the wholesaler. Selling to the jobber or wholesaler. Selling to manufacturers and wholesaler consumers. The purchasing organization of manufacturers and large consumers. Purchasing policy and manufacturers. Personal selling to purchasing agents.

THE retail salesman is selling ordinarily to an unprofessional buyer, who frequently knows little about the goods which he is purchasing, who is animated, to a large extent, by so-called non-rational motives. In selling to wholesalers, manufacturers, and large consumers, the problem of the salesman differs materially from that of the retail salesman. The traditional channel of distribution of goods sold to consumers through retail stores is that of manufacturer to wholesaler to retailer and finally to the consumer. The salesman for a hardware product will often be selling to hardware jobbers in addition to selling to hardware retailers. Likewise, the salesman for materials, equipment, and supplies will sell to users of various types, involving manufacturers who, in turn, may be distributing their finished products to consumers or retailers. It is, therefore, important to study the buying organization and buying policy of such classes of purchasers, because only by an understanding of the fundamental principles affecting their purchases is the salesman enabled to know how to make personal selling effective.

SELLING TO WHOLESALERS AND JOBBERS

The wholesaler is a term used to indicate a middleman who purchases for resale to the retailer. The distinction has

been made in the past between the jobber and the wholesaler: the former handling job or isolated lots of merchandise; the latter maintaining continuous stocks of specific lines. Under present conditions, however, the distinction has broken down in practice and as a result the terms are for the most part interchangeable. For convenience the term jobber and wholesaler will be used interchangeably in this discussion.

Jobbers are particularly prominent in those lines in which there are considerable numbers of outlets, since the function of the wholesaler is primarily that of serving retailers. The number of wholesalers in the grocery, drug, dry-goods, and hardware trades is much larger than that in some other lines. Jobbers may be classified upon various bases according to the type of product handled; they may be classified as general jobbers, handling a varied line of general merchandise or specialty jobbers handling a narrow line; as dry-goods jobbers, hardware jobbers, grocery jobbers, handling lines indicated by their titles. The jobber is also important in many other lines in which the wants of consumers are served directly by retail stores, mainly, in the clothing, furniture, and shoe trades.

Although a great many jobbers of the types already mentioned sell to large consumers, at least on occasions, there are certain types of so-called jobbers whose main function is that of supplying large consumers. Mill-supply jobbers furnish an example of this type.

Jobbers may be classified again according to the territory which their operations cover. There are some jobbers whose market is primarily a local one; they serve the needs of the territory in the vicinity of the house and cannot, or do not, go far afield. There are larger houses in these lines which plan to cover a section or territory comprising a state or several states, but which do not attempt to cover the national market.

Lastly, there are national jobbers who, at least, for some products which they handle, attempt to cover the whole

United States. Examples of such national houses are the H. B. Claflin Company, of New York, and Marshall Field and Company, of Chicago, in the dry-goods field; the Winchester, Simmons Company in the hardware field; Reid, Murdoch Company and others in the grocery field.

Jobbers may be further classified according to the methods which they use in selling. The usual jobber relies primarily upon personal selling to dispose of his goods. There are some jobbers who expect the customer to come to them, and in many cases part of the sales are made to visiting customers in market centers. Some jobbers rely exclusively upon catalogs and mail-order solicitation; for instance, the house of Butler Brothers uses catalogs and printed matter exclusively in selling to retailers of various types.

Jobbers meet the competition of other jobbers as would be expected, but, in addition, they encounter competition in the retailers who buy from the manufacturers and manufacturers who choose to sell directly to retailers. The adoption of direct-selling plans by some manufacturers has led to many unwarranted statements that the jobber is being eliminated.

Retail buying associations, consisting of retail druggist or retail grocers, or of retailers in other lines, likewise aim to take the place of the jobber and constitute serious competition in the particular districts in which they develop.

BUYING METHODS AND ORGANIZATION OF JOBBERS

Jobbers buy from producers whenever their wants are sufficiently large or the goods are sufficiently available to make such practice possible. In buying from producers they may be solicited by the salesmen of manufacturers, in some cases by salesmen of larger wholesalers, or by salesmen of important importers. Wholesalers may, in the second place, buy from agents who come between the manufacturer and the wholesaler, such as manufacturers' agents, commission houses, sales houses, or the import agents of

foreign manufacturers. Like domestic manufacturers, these agents all use salesmen whose principal function it is to approach only wholesalers and occasionally the larger retailers.

In the third place, the jobber may use brokers as a means of getting in touch with sellers. A broker who is supposedly familiar with the sources of supply endeavors to bring the producer and the wholesaler together, the selling relationship—after the parties come to agreement on the sales proposition—being carried on directly with the manufacturer or producer.

Fourth, the jobber may maintain resident or traveling buyers in market centers both at home and abroad.

Lastly, the jobber, like the retailer, may join in a syndicate, or employ syndicate buyers, for the purpose of advantageous purchases of goods that are needed.

The jobber's business rests fundamentally on repeat sales. Without a list of customers who will make repeat purchases, the jobber could not continue to do business on the margin which he receives. Because the wholesale business is a repeat business, the jobber is compelled to assure himself doubly of an adequate supply of manufactured goods. In doing this, he purchases currently for requirements on conditions that will be outlined later; and for certain types of goods, he makes contracts for future deliveries at prices which may or may not definitely be stipulated. For canned goods, dried fruits, and other products, the wholesale grocer is compelled to make commitments far in advance of delivery.

The buying organization of most jobbers is comparatively simple, consisting of one or more buyers and their assistants, who frequently are the heads of particular merchandise departments within the enterprise. In a certain drug company there are three buyers who purchase all of the merchandise for the establishment; one purchasing all the patent medicines, a second all of the general merchandise, liquors, oils, chemicals; while a third purchases the wide

variety of sundries which are now handled by wholesale drug enterprises. The work of these buyers is coordinated by the president of the company, who, in a general way, supervises all purchases. Another drug company has four buyers, who purchase for the seven departments of the enterprise: One purchases patent medicines; another dry supplies and bottles; a third, sundries and pharmaceuticals; and a fourth, chemicals and other products, such as liquors, and essential oils.

THE WANTS OF THE WHOLESALE

In making his purchases, the wholesaler looks for certain characteristics of the sales proposition which fundamentally are similar for all middlemen:

1. There is salability of the goods, which he contemplates purchasing, and profitableness of the resale, because continuous existence of the wholesaler depends upon sales at a profit. More specifically he considers, first, quality and suitability of the article for satisfying the needs of particular retailers or large consumers. Past experience, and the information secured from a wide variety of sources, help buyers to become expert on lines with which they are not familiar. Furthermore, the determination of quality in a line may be made subject to tests, which can be carried on by the buyer. The buyer of dry-goods may test for quality of materials, fineness of count in woven materials, percentages of various fabric materials. The coffee buyer in a wholesale grocery establishment becomes an expert in judging the relative values of different coffees and their blends.

2. The salability of the article which the salesman is trying to sell to the wholesaler will be affected by the number of lines which he already carries and his attitude toward the addition of new lines. No jobber can purchase all the lines he is asked to purchase any more than can a retailer

purchase from every salesman who calls upon him. He must select the goods which he will carry so that lines will not rise to a point which will make selling difficult, increase stock, financial investment, and risks, or decrease stock-turn, resulting in unprofitable operation. One good reason for carrying additional lines is that consumers or retailers really demand them in such volume as to make it inadvisable to disregard requests. As a consequence of the pressure upon jobbers to add new lines and the need of satisfying retailers without developing huge stocks of unsalable goods, jobbers frequently refuse to handle an untried product until the demand has been created for it. Even then the jobber may be reluctant to accept evidence of demand as more than evidence of a temporary flurry, which may often be the case.

3. The wholesale buyer must pay attention to the rate of stock-turnover.¹

The need for increasing stock-turn has to be balanced against the necessity of carrying stocks adequate to take care of retailers. Retailers, today, generally buy on a small margin. In fact, in this endeavor to secure a high rate of stock-turn, they often purchase too small quantities. It appears that the quantities which the retailer purchases today are uneconomically small; the cost of handling and delivering orders to the jobbers is great enough to involve net losses on a considerable proportion of orders. A manufacturer of electric products found that 75% of his orders were filled at a loss and that the other 25% carried the entire profit. A similar examination made for an electric jobbing house revealed a surprisingly close approximation to these figures in connection with orders sold to retailers.

The dependability of the seller as a source of supply is a second matter upon which the wholesale buyer wishes to be informed. In building repeat business the wholesaler must

¹ For figures in the wholesale grocery, automotive equipment, dry-goods and drug businesses, on gross margin, total expense, net profit, and stock-turn, see Appendix F.

know not only that the producer can be relied upon to stand back of his goods; but, that if necessary, repeat orders can be filled satisfactorily. The reputation of the house, its financial standing, and other facts which have been mentioned elsewhere are considered. The service offered by manufacturers to wholesalers will have much to do with their attitude toward supplying houses; the manufacturer whose salesmen can promise and rely upon the performance of their promises, regarding delivery, is much more apt to make profitable contacts with wholesalers than is a salesman for a manufacturer who cannot make deliveries when promised.

Prices and discounts are of particular importance to the wholesaler, perhaps really of greater importance to him than to the retailer, for the reason that wholesale prices are much more sensitive and follow the market much more closely than do retail prices. As a consequence the wholesale buyer must keep himself informed as to price movements. Many wholesale buyers remember with chagrin the way in which they were caught in 1920 with large stocks of goods bought at top prices, at a time when selling prices were descending very rapidly.

SELLING TO THE JOBBER OR WHOLESALE

The salesman who is attempting to sell to a wholesale company is compelled to make contact with the appropriate buyer. The wholesale buyers make it a rule in most progressive companies to give a limited time to each salesman who calls to present his proposition. In general the attitude of the buyers in wholesale and jobbing houses is much the same for personal selling as the attitude of professional buyers in larger retail establishments. A buyer for a wholesale house is limited in his purchases by the buying policies of his house. Its buying policies affect (1) the quality of the goods which are to be purchased; (2) the quantity to be purchased; (3) the time of purchase; and

(4) the location of purchase. As to the first, the general class of purchases to be made by a particular buyer or a group of buyers is determined by the field in which the house operates. Problems arise particularly in connection with the proposal to enter supplementary fields to purchase goods not handled before, or to add new brands or new varieties of goods which are in line with those already handled. In their reaction to proposals involving such goods, the buyers of the wholesale establishment are animated by the same motives as are the buyers of department stores. They are interested primarily in the resale value of the goods, realizing, of course, that the resale value for them depends upon the resale value to the retailer, which in turn depends upon the fitness of the product for the consumer's needs and its price. There is perhaps little to choose between buyers of the larger department stores and buyers of wholesale houses in the matter of expertness. Both aim to know their market and their product thoroughly. It behooves the salesman who is attempting to reach a jobber to know his product so that he may make definite and correct statements concerning it.

The quantity of goods to be purchased by the buyer of a wholesale house will depend upon the total amount which he wishes to expend in the course of the year and the ideas which he may have concerning its allocation to purchases in a particular season. The hosiery buyer for a dry-goods wholesaler may make it a general policy to purchase 60% of his requirements for spring and summer hosiery in the fall of the previous year, leaving the remaining 40% to be purchased immediately prior to the summer season and during the summer itself. This policy may be changed if a buyer has authority and feels that it would be wise to purchase a larger proportion of his requirements in anticipation of a coming shortage or a smaller proportion in anticipation of a coming decline in price. Where the wholesale establishment is operated on a budget basis, the salesman has less chance of making sales unless he comes before the budget

of sales has been used up. On the other hand, the buyer is unwise who, in making his purchases, does not leave some room in his budget for the unusual offering which may come to him later in the course of the budget year. The quantity purchased will vary, therefore, with the volume of sales in a particular line, with the purchase budget allocated to the department, and with the judgment of the buyer as to business and industrial conditions affecting his particular line.¹ The salesman must also ascertain when the wholesale buyer is in the market. For some lines the wholesale buyer is continuously in the market. For lines which are sold seasonally, he may be in the market only at certain times in the year, and it is also possible that the buyer may not be in the market for a certain class of goods because his budget appropriation has been used up. Determining when the buyer will buy involves also the detail of determining the practice of the buyer with reference to meeting salesmen and with reference to visiting central markets. The salesmen must conform to the practices of the wholesale house with reference to the meeting of those who wish to sell to it, but the salesman is unfortunate who also does not determine whether or not the buyer is available before he develops his plans for a trip to a jobbing center. The salesman in a buying center has two ways of getting at the visiting buyer. He may be assigned to him by his house if it happens to be located in the buying center, or he may call upon the visiting buyer either at his buying office or elsewhere. Many professional buyers visiting for both retail and wholesale establishments in New York, for instance, make it a practice to notify trade publications of their pres-

¹ A wholesale company in estimating sales for the following year established a quota of sales for each of the eight departments after consultation with buyers, sales managers, and supervisors. The quota was based on the average sales of each department for the preceding three years, modified by the increase or decrease from the general growth or decline of that department, the special sales effort which it was planned to put forth, general business conditions, and the volume of sales which each department had to have in order to show a net profit. These budget figures, when revised, were made the basis for the purchase budget and governed the purchases of the buyer.

ence in the city, giving their addresses, so that salesmen and others having goods to offer may have an opportunity to present their propositions. It is obvious here that knowledge of the goods and knowledge of the proposition are much more essential than in the case of the salesman who is selling to an ignorant buyer, far from competition of other firms, whose salesmen may be just as intelligent as he. There are certain organizations or syndicates which conduct buying for groups of wholesale houses. These are, of course, of interest to salesmen only in central markets.

One of the problems which the salesman sometimes has to solve when he is calling both upon retailers and jobbers or upon jobbers exclusively is that of determining who is a jobber or wholesaler and who is entitled to a jobbing price. A manufacturer whose goods are distributed through wholesale and retail outlets must ordinarily take care that prices to wholesalers are not quoted to retailers. The quotation of wholesale prices to retailers makes price-cutting competition possible; it tends to deprive the wholesaler of his trade and of his margin, and to deprive the manufacturer of the support and cooperation of a jobber and retailers who were not given the jobber's price. The majority of cases are clear. Either a house does a pure jobbing business, selling to retailers, possibly to large consumers, or it does a purely retail business, selling only to consumers. The difficulty comes in cases in which a retailer is gradually developing a wholesale business. For instance, a retail grocer or a retail hardware merchant may have made large purchases of some article and resold it to other merchants; he may have extended this business year after year. He claims jobbers' prices on all goods which he buys. Sometimes the claim is illegitimate, a little wholesale business done by a prospective buyer being merely an excuse to demand jobbers' prices from manufacturers which will give him an unwarranted and unusual competitive advantage. A salesman, therefore, has difficulty sometimes in knowing whether to quote retailers' prices or jobbers' prices. In some lines

trade associations have handled the matter and have definitely listed those who may legitimately claim to be jobbers. The sales manager and the salesman will therefore be aided by knowing those companies which ask jobbers' prices and are not on the list or considered jobbers by the trade. It is possible, however, that this listing may not be done impartially, and the list always looks toward the past and toward conditions as they existed months ago, and not toward the future with its possible development of new jobbers.

SELLING TO MANUFACTURERS AND WHOLESALE CONSUMERS

Manufacturers must buy, or themselves first produce, the materials and parts used in the products which they turn out. These may be raw or semifinished. They may be parts used in the assembling of more complicated articles. Second, they must procure equipment used in the production of a finished article such as textile machinery, machine tools, drill presses, hammers, and the like. Finally, there are supplies for use in connection with equipment, and in incidental work tending to facilitate production or selling, for instance, office supplies, stationery, oil, and so forth.

Manufacturers buy from producers, either directly or through brokers or other agencies who may be represented by salesmen. Manufacturers also buy from jobbers, particularly where they buy in quantities which are sufficiently large to interest jobbers, but not large enough to enable the manufacturer to go directly to another manufacturer for his purchase. Except for fill-ins and for products sold through agency arrangements, the larger manufacturer rarely goes to the retailer. A manufacturer may purchase small lots of lumber from a local retail lumber dealer. He may purchase supplies temporarily to tide over until the arrival of new stocks; but he is compelled frequently to purchase his automobiles or trucks or his typewriters directly from the retail agent or representative of the manufacturer located else-

where, although in some cases, here, purchases of larger quantities are handled under special arrangement by certain manufacturers.

For raw materials and parts used continuously and in quantities, the common method is that of making time contracts under conditions to be agreed upon, and under prices to be fixed in a specified way. The hardware manufacturer may purchase his steel under a contract extending over a yearly period, with the provision that specification as to the amounts and qualities are to be sent to the steel manufacturer monthly. In other cases purchases are made currently by the purchasing agent in accordance with the needs of the company.

Large consumers, such as hotels, railroads, institutions, municipalities, purchase practically every conceivable type of product. The larger consumers of this type buy from jobbers, if quantities are sufficiently large, while occasionally they buy direct from producers themselves.

THE PURCHASING ORGANIZATION OF MANUFACTURERS AND LARGE CONSUMERS

Salesmen who sell materials, supplies, and equipment to manufacturers and other large concerns will find it necessary to meet professional buyers in all but small enterprises, the ability and responsibility of whom will vary greatly. In the smaller, the buying may be confined to one man, handled by a clerk, carried on by one of the executives, or it may be entirely decentralized, each executive or sub-official needing supplies or materials making his purchases without reference to others. The wastefulness inherent in the latter method is responsible for the development of the purchasing agent and the purchasing organization.

The common purchasing organization of the manufacturing concern consists first of all of the purchasing agent, who is directly responsible for the purchase and receipt of goods needed by the enterprise. Ordinarily his purchases are

directed by requisitions of various departments of the enterprises which stand in need of materials, equipment or supplies, and by his judgment as to future needs. As the work of purchasing, checking, and handling invoices, which are received from the sellers, increases in amount, the purchasing agent is compelled to develop an organization, which in the very large enterprise may include assistant purchasing agents for particular classes of supplies, each of whom may be given limited responsibility in making purchases. Further assistants are entrusted with routine matters of checking invoices with incoming shipments, making claims, and seeing that proper records are kept of current and completed transactions.

This organization, and the purchasing agent in particular, determine whether or not the purchases are to be made from a particular house. Consequently, the purchasing agent is the one the salesman must approach in securing orders. However, since the purchasing agent frequently merely fills purchases on the requisition of particular departments, the personal selling process cannot be completed by the salesman in conference with the purchasing agent alone. Frequently the salesman will find it necessary to determine which member or members of the organization influence or determine the purchases and make out requisitions for the particular products which he is selling. The task of ascertaining who the real purchaser is, is not easy. In some cases it may be the president; a staff engineer; or the foreman in charge of a particular process. Under the most scientifically operated purchasing department, it has full control to purchase materials, equipment, and supplies, which it buys to fulfil the specifications required for the particular use intended for the product. Where such specifications have been developed and are available, there is usually no reference to brand. The salesman, therefore, who sells goods covered by specifications must know to what extent his goods fulfil the requirements and know definitely the relationship of his price to the prices of competitors.

PURCHASING POLICY AND MANUFACTURERS

In securing orders from manufacturers, the salesman's success will, of course, be directly affected by the purchasing policies of manufacturers, and from a study of purchasing policies the salesman can develop, as the selling points, the buying motives which will be effective in dealing with manufacturers. Among the buying policies which may be mentioned are those relating first to the organization of buying—the salesmen who know whether the purchases are made centrally or locally by the head of an organization. Are purchases made by each store or by a central purchasing department? To what extent are purchases of branch factories dependent upon the recommendations of that branch? To what extent are standards fixed by the central department? The salesman should know whether or not the concern favors the approach of salesmen to other officials prior to approaching the purchasing agent, or whether the purchasing agent prefers to deal exclusively with the salesmen. In one instance where a large order for paint was to be bought by a manufacturing concern, the statement was made that no house would be considered whose salesman approached any one but the purchasing agent. On the other hand, certain types of purchasing agents would hesitate to make purchases without a definite approval of the executive, foreman, or department which is interested in the purchase. The foreman in the dyeing room of the textile plant may very easily by manipulation of the dye mixture destroy the reputation of any dye-stuff manufacturer against whom he may have a prejudice; such manipulation and destruction of good-will cannot be easily detected. A purchasing agent may welcome the salesman and aid in convincing the department of the wisdom of a change in the source of supply or change in the type of product. The purchasing agent who is conscientiously trying to fulfil his obligations must be able to resist pressure.

Purchasing policies of the organization must be con-

sidered.¹ Among them are the buying management policies of the firm. Does the company buy against specifications? If so, to what extent are the specifications available? Does the salesman have full information of such detailed sort so that he can answer technical questions possibly raised by such specifications? Does the company favor the purchase of a particular brand, or are brands being purchased only if they are on the same basis as unbranded goods in their relation to specifications?

Second, in the management of buying, is the company operating under a budget system? Are the purchases limited definitely in total and individual products, or is the purchasing agent given considerable leeway to make larger or smaller purchases as he sees fit?

Third, what is the policy of the company with regard to forward purchases? Does the company find it advisable to buy certain materials ahead wherever possible, or does it engage in purely speculative buying? Chances under certain conditions of selling a large lot of materials will be much greater with the company which engages in speculative buying than with the company that definitely limits its purchases to the requirements for a stated period.

Fourth, another factor which will affect the buying policy of the manufacturer is the state of business conditions, including particularly the state of the market for the products which the company sells as well as the state of the market for the materials which the company assembles or manufactures. The general tendency of manufacturers, as well as of all other buyers, is to purchase in increasingly large quantities as business conditions improve. The manufacturer wishes to make long-time commitments for materials, and supplies; he is less apt at such times to object to price, considering service and delivery more important. In the down-swing, his tendency is to purchase from hand to mouth, to consider price more than service. If the pur-

¹Cf Swanson, A. E., "Purchasing Policies of Manufacturers," *Administration*. Vol. II, p. 617.

chasing company happens to be particularly affected by the decline in prices and sales, it may find it impossible to make purchases for production without securing unusual concessions from the seller.

There are other factors and policies which affect the salesman. Among them is the policy of the manufacturer with reference to concentration of purchase. It may be the policy of the purchasing department to concentrate purchases of materials and supplies, placing orders with very few companies, the purpose being that of securing advantages of dependability of supply and favorable prices. On the other hand, it may be the policy of the purchasing department to call for competitive bids and, with specifications, to make decisions entirely on the basis of price. Commonly the former policy is followed because the purchasing agent in such cases considers not only the price but the desirability of the seller as a source of supply. This fact frequently offsets a somewhat higher price, because the purchasing agent realizes fully the great importance of having goods of the quality that he needs, in the quantity and at the time he needs them.

In judging the seller as a source of supply, the purchasing agent considers the reputation of the house, its history, frequently the experience of other purchasing agents with the house, its financial standing, its reputation for delivery, the conditions of difficulty, and so on. These points are important not for every-day purchasing, but for the emergencies. The purchasing agent wants to have on his list houses which are dependable and reliable, and which can be depended on to deliver goods of a desired quality, at the desired time, in accordance with promises made, even though the carrying out of those promises involves unusual difficulties for the seller.

Frequently some judgment is based upon the methods of the supply house. Straightforward, honest methods win the approval of the purchasing agent. The attempt to bribe the purchasing agent may be taken as a reflection of the policy

of the house and many purchasing agents will refuse to have further dealings with such a house. The credit policy of one house may be more liberal, more constructive, than the credit policy of another. Under certain conditions the credit policy may make one source of supply more desirable than the other, and credits may furnish an important selling point for the salesman.

The purchasing agent for a manufacturer or large consumer sets up certain requirements for purchases of goods which are not essentially different from those of any other group of professional buyers, except for the emphasis placed upon the various ones depending upon individual circumstances. First the purchasing agent must see that the right articles and products are purchased to satisfy the wants of the business for the performance of its manufacturing, or other purposes.

Where materials are standardized or equipment and supplies are standard, the problem is not a difficult one because repeat purchases may be made, and tests conducted, to see that the articles and materials are in conformity. There is, however, an important problem where the need exists but the exact article or type of product to satisfy that need is not known. The purchasing agent may be compelled to choose between different forms of trucks for internal transportation. He may be asked to buy a machine to perform a particular operation which has hitherto been performed by hand. He may be asked to secure some new raw material which will be more satisfactory than the one which has been used. Both in procuring these articles for which the need exists, and in procuring those of which the qualities and other characteristics are definitely known, the purchasing agent is compelled to study carefully sources of supply.

Second, the purchasing agent must procure the correct quality of materials, equipment, and supplies. If the materials are of too high a grade, there is loss because of higher manufacturing cost. If of too low a grade, the finished goods will not satisfy wants as effectively as if the proper

materials were used. The determination of quality requires very frequently a technical knowledge which the salesman should possess in selling to the purchasing agent, as well as the purchasing agent himself.

Third, the purchasing agent must purchase in the right quantities. Again, if he purchases too large a stock he piles up inventories with the attending financial costs and risks. One of the largest manufacturers in the country carries no more than an eight days' supply of materials, the whole of the purchases being so coordinated and deliveries so arranged on a contract basis that the inventory is kept at a minimum.

Fourth, the purchasing agent must see that the goods come to his warehouses at the proper time.

Fifth, the purchasing agent likewise looks for prices which are fair, both to his house and to the seller.

Last, the purchasing agent looks to see that the service which he may expect from seller is such as to make it possible to rely upon guaranties, promises, and claims made by the salesman on behalf of his house; that deliveries are promptly made in accordance with terms and specifications, and that additional supplies of goods needed for continuous manufacture are available when needed.

A retailer who happens to run short of a particular article may frequently sell other articles which serve the needs of consumers almost as well. A wholesaler likewise; but the manufacturer who fails to secure deliveries of raw materials, or whose machines break down because they have not been properly provided with repair service, is bound to suffer a loss which will develop ill-will wherever the seller of the materials or equipment can logically be held responsible.

PERSONAL SELLING TO PURCHASING AGENTS

The problems of the salesman in selling to purchasing agents are much the same as the problems of selling to any

other type of buyer who is impelled primarily by reason, and not by emotional or instinctive motives. Getting access to the professional buyer is becoming easier in so far as the attitude of the purchasing agent is concerned. The purchasing agent who is really in the market for specific products, and even in many cases when he is not immediately or even remotely in the market, will see all the salesmen he can within the limits of time at his disposal. Because the purchasing agent has other responsibilities than that of seeing salesmen, he is sometimes compelled to conserve time by restricting visits of salesmen to specific hours; but there are many purchasing agents who feel that because they may involve hardship upon the salesman who could not learn of these restrictions in advance, it is wise to grant interviews outside of the specific hours wherever good reason can be shown.

Formerly the purchasing agent had a very suspicious attitude toward salesmen; and salesmen reciprocated by more or less carefully guarded hostility toward purchasing agents in general. Among the better class of salesmen and purchasing agents these attitudes have changed, because the salesman who sets out with the idea of satisfying the buyer's wants, and who is equipped with a knowledge of his product and of his sales proposition, is in a position to help a purchasing agent whose task is fundamentally the same, though viewed from a different angle. The purchasing agent who cannot become fully informed about the technical details of all of his purchases will rely upon the salesman who proves himself competent, straightforward, and judicious. The advantage to the purchasing agent of being on good terms with salesmen furthermore was demonstrated, when, in the period immediately preceding 1920, the purchasing agent who was compelled to solicit the sellers in order to get goods instead of being solicited by the sellers to purchase, found that the salesmen with whom he had cultivated friendly relationships were able to help him very materially in obtaining them.

In the interview with the purchasing agent, the importance of the details of approach and manner may be exaggerated; nevertheless, in spite of the rational motives which are presumed to dominate the purchasing agent, a pleasing first impression, a subsequent demonstration of competency, and a courteous attitude will go far in bringing orders and will cause the purchasing agent to save orders for such a salesman, other things being equal. The purchasing agent who is approached by many salesmen is compelled to require concise statements. Although he may not have technical information about things that he buys, he is more apt to expect it and require it of the salesman than is the non-professional buyer. He wants information not only as to how the needs are satisfied by the particular product under consideration, but also as to why the salesman believes that the wants will be satisfied by the product.

In presenting the facts concerning a sales proposition to the purchasing agent, the salesman will use reason and argument and facts, but very little suggestion based upon emotional or other impulses. The buying motives of manufacturers and large consumers, as expressed by purchasing agents, have been listed by Professor Copeland¹ as follows:

BUYING MOTIVES

1. Economy in Use
2. Protection Against Loss
3. Enhancing Productivity of Plant
4. Dependability in Use
5. Dependability in Quality
6. Durability
7. Flexibility in Operation or Use
8. Simplicity in Operation
9. Handiness
10. Facility of Installation
11. Facility in Making Repairs
12. Enhancing Salability of Product
13. Facility in Executive Control
14. Aiding Sales Promotion
15. Safeguarding Welfare and Morale of Employees

¹ *Harvard Business Review*, April, 1924, pp. 303-318.

16. Sanitation of Plant
17. Economy in Purchase

PATRONAGE MOTIVES

1. Reliability of Seller
2. Punctuality in Delivery
3. Promptness in Delivery
4. Securing Exact Fulfilment of Specifications
5. Variety for Selection
6. Engineering and Designing Service
7. Dependable Repair Service

It will be noticed that these motives are based upon a reasoned explanation on the part of the prospective purchaser as to the best means of satisfying more fundamental wants than the motives of consumers which are based primarily upon instinctive desires.

The general principles governing sales to manufacturers or wholesale consumers are the same as those which govern sales generally. The salesman must know his product, must know how it serves the wants of prospective buyers, and must know how to present it to the buyer.

XIII

PERSONAL SELLING IN EXPORT TRADE

Export selling fundamentally similar to domestic selling. Qualifications of export salesmen. The training of foreign salesmen. Equipment of the export salesman for his work. The work of the export salesman. Cooperation between the export salesman and the house. Personal selling in foreign markets. Compensation of export salesmen. Export salesmanship as a career.

THAT foreign trade is necessary to the welfare of nations has been more generally admitted by the business men of this country during the past few years than ever before. While other nations have accepted this view as a matter of course, the United States, with its vast resources and possibilities of development, has not felt the need for the international exchange of goods necessary to the economic life of other nations not so richly endowed by nature. However, the growing conviction of the people of the United States that their prosperity depended in no small degree upon the prosperity of Europe, led to a revival of interest in foreign trade, which in some measure collapsed following the general business depression of late 1920 and throughout 1921. The prosperity of individual industries depends upon their selling successfully the last 10% or 20% of their output. It is well known that the domestic market, which has seemed almost inexhaustible in its capacity for goods, cannot and will not take the full production today of many of our leading manufacturers. Markets must be sought, therefore, outside the boundaries of the United States, and the development of those markets requires salesmanship of the highest order. The most difficult problem in the export trade is the selling problem. The time has passed when the world is clamoring for our goods. We are exporting an increased proportion of manufactured goods; at the same

time our increasing national consumption compels us to send abroad smaller quantities of raw materials which have never required any great amount or high quality of salesmanship. As a corollary of this development, the exports of the United States may be said, therefore, to be developing in a direction which will require an increasing amount of selling ability and selling effort.

EXPORT SELLING FUNDAMENTALLY SIMILAR TO
DOMESTIC SELLING

Fundamentally, export selling is similar to selling at home.¹ Selling in the domestic market proceeds from the needs of a buyer and the satisfaction of those needs through production and distribution. Selling methods and products must be varied, however, just as may be necessary in some cases, between the various parts of the United States. There are distinct differences between the Texas and Vermont markets. No one would deny the difference between the East Side of New York City and the Cape Cod district. Nevertheless, we realize that, fundamentally, the selling methods to be applied to different parts of the United States are the same; the applications vary somewhat, but the principles do not. So it is in export selling. The problems of export selling include all the problems of domestic selling, complicated, first, by the fact that every foreign transaction must comply not only with the laws of the United States, but also with those of some foreign country. Second, the problems are made more complex by the fact that in every selling transaction, in all salesmanship, adjustment must be made to greater differences between the environment of the buyer and that of the seller than would be necessary in corresponding domestic transactions.

Personal salesmanship is the oldest and most important method of selling in the foreign field. As in domestic trade, sales are made through correspondence, advertising, personal

¹ See Tosdal, H. R., *Problems in Export Sales Management*, A. W. Shaw Company, Chicago, 1923, chap. i.

salesmanship, and the minor means which are available to the seller in the domestic market. The usefulness of advertising as a selling medium in foreign countries is, however, considerably curtailed in many cases by the lack of suitable mediums and in some cases by the illiteracy of the population. The effective combination of advertising and personal salesmanship in foreign trade usually lays more stress upon personal salesmanship than might be the case in the domestic market. Where communication is easy, the deficiencies of advertising and the other methods of presenting information and selling appeals may be offset. In the foreign market the salesman is on the spot and can answer unanticipated questions immediately, which might require months if correspondence had to be used to clear up a difficulty.

The export salesman, in even greater degree than the high-class domestic salesman, must possess some of the qualifications of a selling executive. He is entrusted with greater responsibility; he acts as the representative not only of his house but also of his country. His ability and actions may reflect upon both, or they may reflect discredit and do untold injury to himself and to his firm and, in fact, to all Americans, since the judgment of the foreigner as to the characteristics of Americans is made largely on the basis of those with whom he comes in contact.

QUALIFICATIONS OF EXPORT SALESMEN

The responsibility which the export salesman must assume brings with it, therefore, the requirement that he possess certain qualities which will enable him to discharge his duties successfully. It is a difficult matter to enumerate the desirable qualifications of the export salesman without making it appear that he must be a paragon of all the virtues; in short, that the qualifications necessary for export salesmanship are impossible of attainment by more than a very few. All that any discussion can bring out is the

extent to which certain qualifications desirable in all men are particularly needed in the export salesman. Export managers themselves do not agree as to the order in which one should arrange the desirable qualifications. It is usually assumed that a man must have "health, character, and the instincts of a gentleman." Health is stressed particularly because of the unusual hardships of the foreign traveler. While travel on the modern ocean liner may be very easy, foreign travel becomes quite different when the salesman is compelled to ride mule-back for 10 days in making the journey from Medellin to Bogota in Colombia, in which journey he will also have occasion to take passage on small river steamers whose cuisine and ménage would make the sod hut of the western prairie seem like a palace. Character is also a prerequisite. Unless a salesman is considered honest and dependable, he is not desirable for selling work in the domestic market, much less so in the foreign market, where the salesman must act in much more responsible capacities many thousand miles away from the home office. Strong character is particularly desirable because, removed from home influence and environments, the temptations of foreign cities, made alluring by loneliness, destroy the salesman's usefulness not only to the house but also to himself. It may well be that the man, who is a successful salesman in this country and possesses all the other characteristics, may be unfitted for foreign trade because he lacks the necessary strength of character when removed from the restraining influences of proximity to his employer, home, and friends. The third requisite needs little emphasis, except that salesmen's contacts with buyers in foreign countries are apt to include much more than business calls upon the prospect at his business premises. This suggests that a certain amount of polish and familiarity with social conventions is desirable in the foreign salesman, where it may not be so necessary in selling the same product in the domestic market.

There is general agreement that, given health and char-

acter and personality, the first qualification for a successful foreign salesman is selling ability. Not many years ago, much more stress was laid upon the possession of efficiency in languages than upon the possession of selling ability. Better perspective can be secured on this particular question by reflecting that the ability to speak English by no means makes a successful salesman in the United States and that many people possessing knowledge of languages have no selling ability and would be entirely unsuited for a selling position. The candidate for export salesmanship, therefore, must convince the competent export manager that he possesses selling ability either through successful experience in selling in the domestic market or in some other way. Some export managers require the prospective export salesman to demonstrate selling ability in the domestic market before he is entrusted with selling in a foreign territory. It must not be denied that a knowledge of the language of the country in which the foreign representative is to operate is of great importance, but not a few men with selling ability have been able to make their work profitable from the very start, although it is true that at the earliest opportunity they acquired sufficient knowledge of the language to overcome at least part of what must be classed as a handicap.

Adaptability in its broadest sense is a requirement of the export salesman. He must be able to size up his customers' habits, drop the ways of the average salesman, and conform to the requirements of a foreign land. The hustling American salesman who goes to Rio de Janeiro, and expects to complete his work in three or four days' time in the same manner that he would in Cleveland or Chicago, is frequently unsuccessful, whereas a competitor, who is satisfied to go to the same place, spending sufficient time in social intercourse to build up friendships with the native buyers, succeeds in sending home more business. Furthermore, this adaptability must proceed from a sympathetic understanding and an international mind, so that the salesman will

not be chronically unhappy when he is away from the United States. One of the secrets of success of German, Scotch, and English firms in the development of foreign business has been the inclination of their salesmen to reside and make their homes in foreign countries. These foreign salesmen often become more or less permanent citizens of the countries of their adoption. Unless American salesmen are willing to reside abroad and become so familiar with foreign merchants that American ideas and policies become known to them, American export business must be content with less than the most favorable results.

The salesman in the foreign field must be equipped with knowledge of the product he is selling and knowledge of the market in which he is to work. Knowledge of details is even more necessary in foreign than domestic selling, because deficiencies in the salesman's knowledge cannot so easily be remedied by recourse to the home office. Cables are expensive and other communication is slow. The foreign salesman must, of course, be able to use his knowledge properly. He should be able to give the foreign buyer all the necessary data pertaining to his line and its adaptability to his needs.

The knowledge of the market which the export salesman should possess is no different in its general characteristics from that which should be possessed by the domestic salesman. It includes the knowledge of the market as a whole as well as the knowledge of the individual buyers. It includes a knowledge of buying habits, of the wants and customs of the persons to whom the sales are to be made. But it may be necessary to go much further in determining, acquiring, and maintaining information about political conditions which affect trade, about general economic and financial conditions in the market, and about the legislation and the binding customs affecting trade.¹

1. *Political conditions.* In the domestic market it is rea-

¹ *The New England Exporter*, Boston Chamber of Commerce, Boston, 1922, p. 18.

sonable to assume a stability of government; additional information is obtained through the press. The export salesman must know at least the basic facts concerning political conditions in the foreign countries with which he deals.

2. *General economic and financial conditions.* These have a very distinct bearing upon the effort necessary to accomplish successfully the selling task. The present difficulties of selling in many European countries are due both to economic conditions brought about by the war and to the attendant disorganization of financial exchanges. Buying from the United States is greatly hindered by the fact that the high rates of exchange (low in this country) make it necessary for the Frenchman, Italian, or Austrian to pay many more francs, lire, or kroner for a hundred dollars' worth of American goods than if exchanges were nearer normal. The situation may enable our importers to benefit greatly, but it may restrict our exporters in the same way.

3. *Legislation and binding customs affecting trade.* The exporter's ability to meet competition and develop a market for his product is, of course, affected by the character of trade restrictions such as tariffs, taxes, and numerous requirements which may be imposed upon the foreign trader. Such burdens in some cases offset any advantages that could be expected from building up a demand in such a country.

If political, economic, and legal conditions are not unfavorable, the exporter may proceed in much the same manner as in analyzing his domestic market.

A general knowledge of export conditions and practices is likewise a requisite of successful export selling. Though fundamentally similar, foreign business practices differ from domestic practices in many ways; and unless the salesman possesses a general knowledge, he may not be equipped to handle the business satisfactorily either for his customer or for his principal. There are small requirements which in themselves seemingly unimportant may cause much friction

and ill-will if overlooked. For example, in Chile it is required by law that all packages should be stenciled instead of being marked by a brush or otherwise. Unless the salesman indicates this on the order, the packer at home may not stencil the packages and the customer, who will be obliged to pay the fine, will blame the manufacturer for the loss. Likewise, the salesman must be thoroughly acquainted with the rules and regulations concerning licensing of salesmen, admission of samples, advertising matter, and the like.¹

Business judgment is required in greater degree of the

¹ Current information on regulations governing commercial travelers, samples, and advertising matter in foreign countries is procurable from the Bureau of Foreign and Domestic Commerce of the U. S. Department of Commerce. Savay, *Principles of Foreign Trade*, gives some examples and discussion:

The fees, laws, and even railroad regulations pertaining to commercial travelers in foreign countries change frequently, but the changes are never radical; the substance usually remains unchanged. A distinct tendency toward a simplification of the complicated regulations existing in the countries of South America has been shown.

The laws pertaining to admission of samples without any commercial value are practically uniform, in that such articles are admitted free of charge, whereas samples of commercial value are usually admitted upon deposit of security, which is refunded if the goods are taken out of the country within some specific period. If the refund is desired, the samples must be sent back from the same port through which they originally entered. In a great many countries, however, travelers sell their samples before leaving.

There is a difference in regulation according to whether travelers propose actually to sell goods or merely to take orders.

Generally speaking, no tax is levied on printed matter. In most of the Latin-American countries such a tax exists, but is seldom enforced. Railroads abroad generally do not give commercial travelers preferential treatment.

Examples of these regulations are given merely to show their general character:

Argentina:

Whether selling goods, showing samples, or soliciting orders, commercial travelers must secure a license. Charge is different in each state and varies according to type of merchandise sold. In Buenos Aires the annual license tax is 500 pesos, but it sometimes runs as high as 1,000 pesos (Argentine currency).

Salta—for selling tissues, 1,000 pesos; haberdashery, 600 pesos; groceries, 400 pesos; hardware, 550 pesos; china and glassware, 250 pesos; boots and shoes, 400 pesos; hats, 200 pesos; men's and boys' clothing, 800 pesos; women's clothing, 200 pesos; sugar, 1,000 pesos; wines, 200 pesos; drugs, 300 pesos; perfumery, 300 pesos. Licenses in this province may be taken out for 6 months, counting from January 1 to June 30 and from July 1 to December 31. Their cost must be paid before operations are commenced. The fact of withdrawing samples from any railway station in the province or of offering merchandise for sale by means of catalogs or references is understood as implying that the commercial traveler has commenced doing business.

Samples without commercial value are passed by the Argentine customs without import duty. The duty on valuable samples is refunded if samples are reexported within 6 months.

Printed circulars, cards, pamphlets, and catalogs imported in quantities by commercial travelers are subject to duty. The duty on advertising matter printed on cardboard is 42% on the fixed valuation, or 0.60 pesos gold per kilogram, which is equivalent to about \$11 per 100 pounds; on matter printed on bristol-board the duty is slightly higher, about \$11.38 per 100 pounds; advertising matter printed on paper and ordinary matter printed on cardboard about \$4.73 per 100 pounds.

Brazil:

No federal tax levied, but travelers are taxed in many individual states, while in

export than of the domestic salesman, because of the larger responsibility which devolves upon him and the difficulty of communication with his house. Particularly in sizing up credit risks will the good judgment of the salesman be called into action. Because of the different conditions under which business is carried on, credit reports of the nature upon which we are accustomed to rely in domestic trade are either not available or are considerably less dependable.

others they are required to take out a trader's license. Many municipalities require a traveler to take out a hawkers' license if he can be shown to be in that class.

Bahia (state)—100 milreis per annum. If traveler leaves country and returns same year, new license is required.

Rio de Janeiro (state)—No tax. If travelers sell goods they carry, they must take out trader's license, for which a state or municipal tax of varying amount is charged.

British Possessions and Protectorates:

In 38 of these, a license is usually required and a fee charged if travelers sell samples or goods. Also, resident agents and merchants require a trade license. The fees vary from £1 to £120.

France:

France receives the commercial traveler in a manner corresponding to the treatment accorded French travelers in the homeland of the visitor. If a traveler represents several firms, entirely on a commission basis, he will have to take out a trading license. Those selling the actual goods they carry are liable also to an additional tax, which in practice is seldom collected. All foreigners resident in France are required to register at police headquarters and to take out a certificate for which 2½ francs is charged. Special privileges may be obtained from the railroads on payment of a given sum and by special arrangement which, in normal times, saves 20% to 50% of the usual rate. Samples of commercial value are admitted on deposit. All duty is refunded if the samples are taken out of the country within a year. A certificate of identity is necessary when such refund is claimed by the traveler.

India:

No special regulations. Foreigners are prohibited from entering state of Jammu and Kashmir and the Baghelkhand State without a pass from the political agent or durbar. In the state of Sirohi all travelers must take a guide for the protection of their lives and property.

No general license is required except for sale of arms, ammunition, liquors, and opium. Municipalities do not usually require licenses for commercial travelers, even though they sell their samples of goods; some exceptions to this rule. Ordinarily no certificates or power of attorney from the firms represented are required.

In Calcutta commercial travelers who sell precious stones are obliged to take out a license and pay a fee of 25 rupees.

In the native state of Marwar a license must be obtained in order to sell foreign liquors; in Mauritius, to sell sugar, and so forth.

In the Madras presidency, travelers must pay a profession tax if they exercise their calling within a municipality for a period of 60 days.

In Baroda commercial travelers are required to pay an income tax.

Luggage of commercial travelers is carried by practically all railways in India at half-parcels rates, provided travelers represent reliable firms. Quantity which may be carried by mail train is limited to 410 pounds and full rates are charged.

Samples of commercial value, whether brought personally by commercial travelers or imported subsequently by them, are liable to import duty at the rates specified in the tariff. Deposit or bond is required, but is refunded if the samples are later taken out of country. Reexportation must take place within 12 months if duty is to be refunded.

Japan:

Regulations affecting commercial travelers in Japan show that in some cases it is necessary for them to obtain licenses. It depends largely upon nature of goods, as fee is levied according to the class of goods to be sold. A commercial traveler, who carries with him or sells samples of goods, must obtain a license and also permission to do business.

Articles temporarily imported as samples not subject to import duty provided they are reexported within 6 months and provided security equal to the amount of duty leviable is furnished at time of importation. Details regarding rail transportation may be found among the regulations available at Department of Commerce.

The foreign salesman's recommendations, therefore, based upon good credit sense are of material assistance in enabling the export department to show a profit.

One might go on indefinitely pointing out the desirable qualifications for the salesman who is to represent a house in foreign countries. The salesman abroad will often find that the social obligations of his position are far more exacting than in the United States. A successful general sales manager has expressed the opinion that he would not send a salesman into any territory unless he himself were willing to take that salesman home to dinner with his family. This test is especially applicable in the case of the salesman abroad, because in most foreign countries the personal element is stressed more than it is here. Tact and good manners are essential attributes of the successful traveling agent.¹ Accuracy and exactness are especially essential, because any deficiencies in these respects are much more difficult to remedy than when the salesman is traveling nearer to headquarters.

In general, the methods of hiring foreign salesmen are substantially the same as those used in hiring domestic

¹ An export managers' association has, through a special committee, declared that "no salesmen, whether domestic or foreign, can approach 100% efficiency without:

- Poise
- Optimism
- Diplomacy
- Tact
- Good business judgment
- Ability to size up business and personal relations and conditions
- Ability to make profits
- Good habits
- Good appearance
- Good personality

In addition, the committee has agreed that the following qualifications should be possessed by a foreign representative in order that he may secure a full measure of success in the market in which he is operating:

- Maturity of age and stability of character
- Inclination to reside abroad
- Full and complete knowledge of the line
- General knowledge of export conditions and practices
- Knowledge of the language
- Adaptability in the broadest sense
- Credit sense
- "Character"

From Tosdal, H. R., *Problems in Export Sales Management*, A. W. Shaw Company, Chicago, 1923, p. 366.

salesmen, although since greater risk is involved, and since the salesman is given greater responsibility, the export executive usually is more careful in hiring. Personal interview,

QUESTIONS TO BE ANSWERED BY APPLICANT IN OWN HANDWRITING. PERMISSION TO FILE AN APPLICATION DOES NOT NECESSARILY IMPLY THAT THE APPLICANT WILL BE EVENTUALLY ENGAGED.								
1. Name in full						Present Address		
2. Born at						on Age		
3. State whether Single, Married, Widower or Divorced.								
4. How many are dependent upon you?						State who they are		
5. What Salary do you expect?								
6. Are you related to any Director or Employee of this Co.?						If so, to whom? Relationship.		
IF PREVIOUSLY EMPLOYED FILL IN PARTICULARS BELOW UP TO DATE OF THIS APPLICATION.								
FROM		TO		NAME OF EMPLOYEE	LOCATION OF EMPLOYER (Give full address and kind of business)	Nature of your Position and Duties	SALARY RECEIVED	Why did you leave or change your business?
MONTHS	YEAR	MONTHS	YEAR					
7. Are you a graduate of any High School or College?						Give name and location of Institution		
8. Are you a regular Church Attendant?						If so, where?		
9. Of what Nationality are your Parents? Father						Mother		
10. What languages do you speak?								
11. What languages do you write?								
12. Have you ever been dismissed or requested to resign from any situation?								
13. If so, where, when and cause of dismissal?								
14. Are you able to give personal Guarantee Bond?								
15. Have you previously been bonded?						Personal or Guarantee Co.?		
16. Are you at present in good health?								
17. Have you during recent years had any protracted illness?						If so, give nature of same		
18. State any special qualifications you may possess which you think will enable us to form an opinion as to your fitness for the position applied for								
Please give the names and addresses of THREE persons, not related to you, who have known you for some years, to whom we can refer as to your Character and Ability.								
NAME				ADDRESS		BUSINESS		
Date				19		Signature of Applicant		

Figure 3: Application blank for export sales position.

application blanks, references and recommendations are the most common means employed in determining suitability. In practically every case a personal interview is required; in many companies the application blank is used, though

for the more important positions where the job seeks the man the application blank is commonly dispensed with. Figure 3 illustrates a typical application blank for a company, for men who wish to enter foreign service, and indicates that the differences between the general information needed to hire foreign salesmen and domestic are not important. Compare with blanks on pages 500-506.

THE TRAINING OF THE FOREIGN SALESMAN¹

It is only in the unusual case that the salesman who aspires to sell goods in the foreign field will find that he possesses all the desirable qualifications. There will be defects and handicaps which he must overcome, either prior to his going abroad or in the early stages of his foreign traveling experience. It is to his interest, just as much as to that of the firm employing him, to become as efficient as possible. It may safely be assumed that if the candidate has a good general education but no selling ability, he should not attempt to become an export salesman. If his general education is deficient, it is to his interest to overcome this handicap, but he may find himself handicapped in one or more of several other ways: (1) He may have no knowledge of the languages of the countries which he is to visit; (2) he may have no knowledge of the goods which he is to sell or the house which he is to represent; (3) he may have no knowledge of export practices or export conditions; (4) he may have no knowledge of the characteristics of the market in which he is to sell.

Unless the salesman happens to be one of the unfortunate few who find it practically impossible to acquire proficiency in any foreign language, he may overcome the handicap of lack of knowledge of the language by study in many different ways. High schools, colleges, special language schools, private tutors, and self-teaching courses are all available for the assistance of the man wishing to acquire a foreign lan-

¹Consult publications of the Bureau of Foreign and Domestic Commerce.

guage. Some of these courses are more suitable for the practical needs of the export salesman than others, but in the endeavor to acquire the conversational language, the salesman should not overlook the importance of grammar for eventual mastery. Furthermore, care should be taken in acquiring correct pronunciation and in avoiding dialects. In many countries there is a literary language which is generally understood, as well as numerous dialects which are understood with more or less difficulty by but a small portion of the population. High or Hanoverian German and Parisian French are generally understood and are the languages of the chief literatures, although many dialects vary widely from these standards.

Knowledge of the goods to be sold will usually be acquired by the new salesman in the first period of his employment by the house. However, if the goods are highly technical, understanding may require either a long period of contact in the factory or a specialized, possibly an engineering, education. The house and its policies may likewise be learned during an apprenticeship period or through a period of training at the beginning of the export salesman's career. Export practice, on the other hand, is acquired with more difficulty. There are two general methods now available—either training in courses in foreign trade in various secondary and higher institutions of learning, or a long period of apprenticeship in an export department or in an export house. While the knowledge of export practices is desirable and can to some extent be secured through judicious reading, too much stress must not be laid upon it to the exclusion of recognizing that selling ability and other qualities are even more important.

Lastly, knowledge of the market may be acquired partly through study courses, either those furnished by the employer, through courses in colleges and universities, or by means of a careful selection of reading upon the various markets. Both in learning about markets and about export practices the Bureau of Foreign and Domestic Commerce

of the United States Department of Commerce is in a position to furnish, at small cost, an invaluable fund of information for every prospective salesman.

The difficulty of securing salesmen who have had proper training has led many important firms to establish training courses of their own for men who are to go out into the foreign field. For instance, the Standard Oil Company of New York, in preparing its men for the foreign field, gives a course covering 26 weeks, the first 10 of which consist of practical experience in the refineries, under the supervision of an instructor—where the men learn the method of manufacturing Standard Oil products. They are then transferred to the marketing field for 10 weeks to learn how the product is marketed and how the substations and general offices are managed. They are then transferred to the New York office for 6 weeks, where in the various foreign departments they finish their training. In addition to this, the men are given a course in the language used in the country to which they will be sent. The American Locomotive Company gives a two-year course to the men selected for work in the foreign department. This includes shop training and a period as assistants in the sales offices in foreign countries.¹

¹ The views of several of the larger companies in training of export salesmen are given in outline form. From the *Ninth Annual Proceedings*, The National Association of Corporation Training, 1921, pp. 257 ff.

W. R. Grace and Company, New York City:

A matter of vital importance to such organizations as the Grace Company consists in the conduct of educational classes, intended both to bring students together in close personal contact and work to a common end and to fit them for particular fields of activity. In the home office of W. R. Grace and Company, these classes meet on Tuesdays and Thursdays from 5 to 6:45 p. m., on the following subjects: Elementary Spanish, Intermediate Spanish, Advanced Spanish, Commercial Geography, Talks on Accounts, Typewriting Course (given in small groups of three, four, and five persons).

In addition to these regular courses, special training is given for particular students and a series of lectures running through the year, upon subjects of most vital moment in the activities of the firm. Some of these lectures are given by heads of departments or specialists in the organization itself, while occasionally outside lecturers are secured.

A further assistance to the mental training of individuals is afforded by a carefully chosen library, a portion of which is filled with books for circulation and the other portion with reference books. Hundreds of members of the firm, at the home office, borrow these books every month for two weeks' reading, while the editorial department is constantly in demand by various members of the house who wish to consult maps, dictionaries, trade encyclopedias, and various works in different languages, as these relate to their several departments.

American Locomotive Company, Schenectady, New York:

The men selected for work in our foreign department are usually given a two-year course of training in the engineering and manufacturing departments, as well as some experience in the foreign office of the company in New York City. The shop training is intended to familiarize the men with the company's manufacturing methods and standards

EQUIPMENT OF THE EXPORT SALESMAN FOR HIS WORK

Since the foreign salesman is frequently in locations which make it difficult and expensive to communicate with his house, it is not only essential that he know his proposition and his market but that he be properly supplied with the equipment and apparatus needed for the most effective conduct of his work. Every export sales manager knows of instances where salesmen sent to distant territories have been put to considerable inconvenience because they were unable to show customers credentials as to their authority to represent their firm. At other times the company's representatives have offended wealthy American customers by being forced to decline invitations to social activities because they did not carry the proper formal dress. Other instances of inadequate equipment have occurred at intervals. A

of workmanship, while the engineering experience covers the important elements in locomotive design and general calculation pertaining to the proportioning of locomotive parts. Literature is supplied dealing with the locomotive and the company's practice, and in most cases the men have taken special evening classes relating to locomotive work.

After the preliminary training and service in the home office of the foreign department, these men are placed as assistants in the sales offices in foreign countries and are advanced according to the ability shown.

Such outside study as is required to prepare men for work in the foreign department is usually borne by the individual, but not infrequently the expense has been partly carried by the company.

Recruits are preferred from among college graduates, particularly those who have taken mechanical engineering courses. It has been the experience of our company that college training has a decided advantage in developing a man's initiative and enabling him to analyze conditions relating to his work and find solutions for the problems presented, to an extent not found in most men who have not had college training.

We believe the important elements in the training for foreign service are:

1. A thorough knowledge of the company's mechanical practice;
2. A knowledge of the essentials of its engineering practice;
3. The handling of responsible work in the home office, which would give an appreciation of the relation of work in the foreign field to that of the industry;
4. The development of sound judgment in business relations;
5. A knowledge of modern salesmanship;
6. A clear understanding of the characteristics of people to be met with in the foreign field.

General Motors Export Company, New York City:

Unfortunately, on account of the recent and rapid growth of our export trade, very few Americans, trained and experienced in the export field, are available for foreign service; therefore, the American manufacturer who wishes to expand his overseas forces and to develop his organization is obliged either to take men trained in the domestic field and transplant them into unfamiliar surroundings and conditions abroad, or to give young men of the desired mental, moral, and physical caliber a course of intensive training for overseas service.

The General Motors Export Company has selected the latter alternative as the one most likely to provide men qualified successfully to uphold the best traditions of American business here and abroad. It has established and is now conducting the General Motors Export Company's Training School, which is designed to equip men to represent it in the various branches of its foreign activities after a thorough training in its classrooms, shops, and offices.

Due to the fact that a year is the minimum time required to teach even men of exceptional ability the rudiments of the export business and the merchandising in overseas territory of the numerous products (including motor cars, trucks, tractors, and lighting out-

prominent export manager has decided to eliminate this difficulty by establishing standard equipment for all foreign salesmen. After consulting a number of foreign-trade handbooks and talking the matter over with some of his salesmen, the following list of suggestions for equipment was compiled:

Passport. Although not needed in all countries, passports provide an easy and sure means of identification and often assist the salesman in escaping government red tape.

Wardrobe. Salesman should receive instructions as to weight of clothing and type best suited to the country to which he is being sent. Particular attention should be given to dinner and evening clothes for salesmen covering Latin-American and other countries where social intercourse is an important factor.

Instructions on health. A sick salesman is a very expensive representative of the company. All foreign representatives

(fits) which this company, as the export division of the General Motors Corporation, markets, it is necessary that the men accepted for training possess most of the known essentials for success in the overseas business fields before entering the training school.

Our company maintains a library to which are constantly being added such books on business, commercial geography, and foreign trade in general as recommend themselves to our favorable consideration.

A daily *News Analyst* published within our office, and containing extracts on commerce in general taken from various newspapers and publications, domestic and foreign, is also used in giving our men general and specific knowledge concerning our trade abroad.

Since this company offers to certain selected employees full enrolment in the school, and to any employee the privilege of enrolling for such of the courses as will make him more valuable, it has not been felt necessary to recommend outside study.

Although it might be safe to say that the best men usually come from the college of commerce, and graduate school of business administration, this company has found good material within its own ranks as well as elsewhere. Since the course has only been established since April, 1920, sufficient time has not elapsed to make a definite statement which would serve as a guiding principle.

It is felt that, other things being equal, a college graduate will forge ahead faster after he has assimilated the technical knowledge necessary to the understanding of the business.

Naturally it is thought that the ideal means for fitting men to take responsible positions abroad is through the establishment of a training school operated by a company; but since many firms would not find so expensive an operation profitable, it is believed that sufficiently specialized courses can be had in some of the larger universities.

This, of course, does not help firms which may be situated at a distance from these seats of learning. In such cases we believe that enrolment in recognized correspondence schools is helpful, but that it should be supplemented with weekly discussion periods, attended by executives of the company and backed up with the employees' practical application to their own business.

United States Steel Corporation, New York City:

Our United States Steel Products Company has had in force for a year or more a foreign-service class for training ambitious and promising young men who are in the employ of the company, for foreign offices. There are always a number of men undertaking this course for various lengths of time as circumstances or immediate necessity permit, by which they progress through the various sales, shipping, and financial divisions of the New York office.

This training, in many instances, is supplemented by an especially routed trip through some of our mills where goods are manufactured.

In this course, they have included men whom they have employed because of their special qualifications in knowledge of foreign languages, or in technical or engineering training—for posts where this was imperative, and among them have been numerous college graduates; but such college training is not necessary and they have always given preference to their own men of good education, appearance, and address, who have shown proper application and promise as well as to those men already employed in our subsidiary companies who have had mill training or experience in selling mill products.

should, therefore, have instructions as to the kinds of fruit to be avoided in the tropics, the dangers of contracting malaria and other diseases usually transmitted through the sting of a mosquito or other insect, the effects of high elevations, and the dangers from water supply.

Red Cross first-aid outfit. Salesmen should carry simple remedies for illness and minor injuries.

Inoculation and vaccination. Because of the dangers from traveling and poor living conditions, all salesmen should be inoculated against typhoid and vaccinated against smallpox.

Letters of authority. All salesmen should carry letters stating their exact power and showing whether or not they have the power to appoint agents, and so forth.

Letters of limited authority. To aid them when dealing with foreign customers, who may demand varying credit terms or special concessions, letters showing their limited authority should be carried by the salesmen.

Power of attorney. It is frequently of great help to an experienced salesman to be given the power of attorney to enable him to make adjustments in the name of the company and to act with authority in case of dispute. This authority, however, should not be given a young salesman or a man who has not proved himself thoroughly capable and reliable.

Copies of confidential correspondence. Copies of important correspondence assist the salesman in adjusting disputes or in pacifying irate customers and at the same time avoid involving the company in complications.

Mailing schedule. Mailing schedules should be agreed upon in order to keep salesmen in close touch with the company and make it possible for them to receive letters and instructions with the least possible delay. The company should be advised by the salesmen by cable of any changes in these mailing schedules, since the delay of important letters might mean that the value of the trip was practically wasted.

Ample money to cover all expenses. Sufficient money should be available at all times to every salesman. There is nothing which injures the reputation of the company and embarrasses a salesman so much as to be compelled to turn to friends or customers for financial aid.

Copies of important documents. Salesmen should be sup-

plied with copies of all important documents such as contracts for the appointment of agents, sales policies, and terms.

Letters of introduction. Special letters of introduction to rating agencies and banks should be given the salesmen to help them secure special credit information of value to the company in passing on the orders of customers.

Credit blanks. Standard forms should be drawn up by the company for recording special confidential credit information on a customer secured by the salesman from other merchants in his town.

Instruction book. An instruction book, both in English and in the language of the country in which the salesmen are traveling, should be prepared in order to make sure that there is no mistake in regard to such technical details as insurance on merchandise sold, the terms which must be agreed upon, and the other obligations which the company or customer assumes.

Catalog of product. Salesmen should be provided with catalogs describing their company's product both in English and in the language of the country visited; measurements and other specifications in this catalog should be listed both in English and in the metric system in order to assist in figuring customs duties and other items.

Private code. All salesmen should have a copy of the company's private code to enable them to report confidential information without danger of revealing the facts to competitors or others.

Collect card. Every salesman should be given a collect card by means of which he can have cablegrams sent collect, thus making it unnecessary for him to carry additional amounts of money for this expense. This also enables the company to check up on the payments for cablegrams and secure any reductions that may be allowed.

Samples. Salesmen's samples should be carried in several lots, so that if necessary they can leave one lot with the customer for a few days while they call on other customers.

Selection of samples. Salesmen's samples should be carefully selected with special reference to colors and patterns most pleasing to the eye. Samples on which there is a large difference of opinion as to their stability should not be included; they may, however, be described in the catalog.

Brushes. Brushes should be included in the sample cases so

that the contents can be kept free from lint and will appear fresh for the examination of each customer.

Small typewriter. Each salesman should carry a small typewriter for convenience in handling correspondence both with the company and with customers.

Stationery. This should include:

- Personal stationery for acknowledgment of social obligations and personal letters;
- Advertising matter—booklets of the mills with illustrations of the product; preliminary copies of advertising;
- Business stationery;
- Personal cards;
- Business cards;
- Preliminary report blanks, which the salesman can use in making out the order in the customer's office;
- Regular report blanks giving full and complete details for the order;
- Address book;
- Expense book.

Letters of introduction. The salesman should carry general letters of introduction to consuls, commercial attachés, banks, credit houses, important customers, and export associations. Although these letters may not be used, frequently the convenience and assistance rendered by one or two makes them valuable accessories to a salesman's equipment.

Letters to prospects. In order to shorten the time required to make a sale, letters to prospects should be sent out ahead of the salesman, explaining his visit. Salesmen should be provided with these letters to send out ahead of their visits.

List of customers:

1. Tried customers whose credit is o. k.;
2. Customers whose credit standing should be investigated by the salesman;
3. Prospective customers, with details as to size of business.

Customers' sheets should be given to the salesmen showing the amounts which each of their customers has purchased in the past, the promptness with which he has made payment, and the terms under which he can be sold.¹

This list is, of course, by no means complete, but is indi-

¹Tosdal, H. R., *Problems in Export Sales Management*, A. W. Shaw Company, Chicago, 1923, p. 409.

cative of the variety of needs and situations with which the export salesman may be confronted when entering markets so different from our own. The salesman going to a particular country will find it possible to omit some items and necessary to add others.

THE WORK OF THE EXPORT SALESMAN

The export salesman may connect himself with any one of several classes of exporters. In the first place, his connection may be with a commission house, a merchant who sells in foreign markets, corresponding in function in some cases to the wholesale merchants of the United States or even to large retailers. There are many export commission houses in the United States, both large and small. Their function is frequently that of buying and of selling, on a commission basis, goods for which their customers ask. The export commission house may get orders for commodities in foreign lands, filling these orders by assembling shipments from various manufacturers, or the export house may operate on a merchant¹ basis, carrying its own stocks and selling, not upon a commission basis, but defraying expenses and securing profits on the margin between buying and selling prices. Very few export houses operate solely on commission. There are some which operate solely on a merchant basis, but more operate as a combination of merchant and commission house—a development indicating a change in the character of export business. It must be remembered that the export house is much like the wholesaler in domestic trade and that as a consequence it does not handle all lines. Although the house may act as purchasing agent in many more different lines than would be represented by any single wholesaler in the United States, export houses ordinarily specialize in particular lines and particular mar-

¹ The commission basis, in which title to the goods is not assumed by the export house, is to be contrasted with the "merchant" basis, in which title passes to the export house.

kets. While some export houses offer to sell or buy any goods in any market, those are better equipped to buy and sell in certain markets and along certain lines than in others. The salesman who is connected with one of these houses may, in turn, specialize in selling certain groups of products which the commission house handles or he may sell all the lines, acting as the general traveling representative of this exporting merchant.

In the second place, the salesman may connect himself with a manufacturer whose salesmen travel in foreign markets. He may be selling shoes for a Brockton or St. Louis shoe manufacturer; he may be selling agricultural implements for a Chicago producer; typewriters for a New York company; or textiles for a Philadelphia company. It is obvious that in selling a more specialized line of products a greater amount of emphasis must be laid upon good salesmanship, and the salesman must act more as a salesman than does the representative of a buying agency such as a commission house. The most important exporting concerns have their own salesmen in many markets.

Instead of representing one company, the salesman may represent several. He may either have been hired by several firms handling the same or related lines or he may be operating as an independent salesman selling the products of several independent manufacturers. Such representatives are called combination salesmen. The proposition of a combination salesman seems attractive to many aggressive export salesmen because they feel that they can sell goods of half a dozen manufacturers with very little increase in traveling expenses and with much better utilization of their time. As a consequence, they feel that they can earn more in commissions or can secure a smaller salary from each of half a dozen manufacturers and their total incomes will be considerably greater than if they were traveling for only one manufacturer. However, there are many difficulties which have prevented the combination-salesman idea from spreading very rapidly. In the first place, if the salesman

operates on his own account, he must have a good deal of capital both to set up an office in a prominent center and to pay his own expenses until such time as he is compensated by firms which he represents. In the second place, the salesman may find that so much of his time and energy are taken up in convincing each of the manufacturers whom he represents that he is dealing fairly and impartially with them that he has insufficient time adequately to represent any of his clients. The difficulty of keeping a list of clients and the financial requirement necessary to tide over an initial period of small earnings and large expenses preclude successful adoption of the combination-salesman plan by any but a very few export travelers.

Lastly, the salesman may represent a combination of manufacturers formed under the provisions of the Webb-Pomerene Act, which permits combinations for export-trade purposes. This combination may handle allied or non-competing lines or competing lines. The problems of such salesmen are generally similar to those selling for an individual manufacturer, who produces a sizable line of products. However, there are difficulties in allocating orders and in showing strict impartiality, although these are difficulties of the organization rather than of the salesman himself.

The work of the salesman in foreign markets is in general similar to the work of the salesman at home. It consists primarily in selling—selling to merchants, wholesale and retail, to so-called general importers who in turn sell to retailers, and to large consumers and institutions. This is the main function, but the selling function must be performed in such a way as to develop customers as well as immediate orders. Since traveling in foreign lands is so expensive and since export salesmen are compensated at a higher rate, it is frequently unprofitable for the salesman to make calls upon any but the largest importers. Efforts must be confined to those whose orders will give sufficient volume to support continuous business.

Not a small part of the work of many export salesmen is at least to help in the selection of agents in various foreign countries and various points in the foreign country. The exclusive-agency plan is used with considerably greater frequency than in the domestic market and the proper selection of agents in various foreign countries to represent the home office is of utmost importance. In the selection of these agents the export manager will, of course, draw upon all the available sources of material, but it happens, perhaps in the majority of cases, that the information available in the United States is insufficient for the basis of a decision. As a consequence, the salesman who is sent out into foreign countries will have considerably greater power and responsibility in the selection and appointment of agents to represent the firm; and his trips from time to time after agents have been appointed will be in the nature of supervisory trips not only for the purpose of getting orders, but also for the purpose of helping the agent develop his trade, for obviously, if the trade is developed and profitable, the orders will come of themselves. This type of work is closely connected with, and partakes of, the nature of missionary work, which may be performed by the salesman to the exclusion of straight selling work. The prime difference between American and foreign selling methods is sometimes said to be that in foreign selling the attempt is made to stock the retailer, and in American selling the attempt is made to help the retailer sell the product as a means of developing active and continuous business. It is true in foreign markets in even greater measure than in domestic markets that the manufacturer who wishes to sell goods through distributors is laying a much more solid foundation for success if he helps the retailer sell these products by creating a demand among consumers. The salesman's work, therefore, may consist in no small measure in missionary work, of sales promotional work, not for the purpose of selling *to* the retailer or wholesaler, but for the purpose of selling *for* the retailer or wholesaler.

COOPERATION BETWEEN THE EXPORT SALESMAN AND
THE HOUSE

The export salesman who is going out on his first trip to a foreign market should do a considerable amount of preliminary work so that his information as to the market may be as complete as possible and so that his entire energies may be concentrated upon the work in hand and upon supplementing and verifying and bringing up to date his knowledge. The export salesman, therefore, in part himself and in part through export organizations, should undertake a certain amount of desk investigation, should learn whatever he can about the country in which he is to travel, about business conditions there, and about the possible demand for his product. In the second place, the export salesman, in combination with his export manager, should make a preliminary study of the prospects upon whom he is to call. Lists of dealers in various lines may be secured from numerous sources, among which may be mentioned the Department of Commerce, the Bureau of Foreign and Domestic Commerce, the numerous export associations, the Philadelphia Commercial Museum, and various directories, such as Kelly's Directory of Merchants and Shippers of the World and the Didot-Bottin directory published by a French company. A preliminary study of the prospective buyers helps not only in determining the towns which are to be visited, but also helps in determining the route which is to be taken and the course of action with regard to the selection of agents. A number of the best exporting concerns go so far as to get credit reports upon the various prospective buyers and, where exclusive agencies are planned, to choose from among the prospective buyers those who are considered the most desirable, giving first, second, third, and fourth choices, so that the salesman has a definite plan to work upon when he enters a particular foreign city.

In addition to providing proper equipment for the salesman, the export house may help him very considerably in

securing orders and opening up particular markets by the judicious use of other means of selling. Through advertising and correspondence it is possible for the exporting manufacturer to bring his goods to the attention of prospective buyers in foreign markets, to give information as to the previous reliability of the exporter, to give him knowledge of the type of product sold, and to announce the coming of the salesman. In other words, it is entirely possible through advertising and correspondence to create an attitude of recognition, to develop the approach so that when the salesman comes into the field and meets a particular merchant, he is not entirely unknown and does not need to spend added time and energy in getting an introduction and convincing the merchant of the nature and reliability of his employer. Furthermore, the salesman is relieved in part of the difficulty of convincing the prospective buyer that he is a *bona fide* agent of his house. It is the plan of some concerns to send advance notices of the salesman's coming, which contain reproductions of his photograph.

In the past it has been a common custom for business houses to expect that the salesman cannot hope to secure many orders on his first trip into a new field, that the first trip should be more or less a "get acquainted" trip. By judicious preparation, it is possible in many lines to make the market productive from the start, to shorten the time which is required to get acquainted with the prospective customer in markets where business is not transacted so quickly as in the domestic market. Likewise, while the salesman is in the field, he can be assisted materially by his house.¹

¹ The export manager of a firm manufacturing paper novelties proposes a plan which illustrates the possibility of preparing the way for the salesman:

First of all, the general territory to which the salesman is to be sent should be carefully studied. The service of export institutions and journals were enlisted in preparing the salesman's itinerary and in determining the time which should be spent in each city. By this careful examination of the territory it was found advisable to lay out side trips from the leading cities and to have the salesman make trips into the interior towns that are seldom visited. These alone, in many cases with which I am familiar, have yielded sales at profits which more than cover the cost of preparing the entire field for the salesman.

When the cities and towns have been decided upon, we should compile two mailing lists. The first would include the names of all dealers who are in lines that indicate a strong probability that they might be engaged in the resale of products of the same general

The best exporting practice calls for frequent communication between the salesman in the field and his house. However, frequent communication is expensive and difficult. Because of infrequent sailings from many ports, cables must be used to maintain this communication. Cable charges mount up rapidly. The use of private and standard commercial codes enables the shrewd exporter to secure a large amount of information from his salesmen, and the salesmen to get a good deal of data from their house at a fraction of the cable cost required for plain-word messages. Communication between the salesmen and the house, of course, will depend largely upon correspondence and the reports which are made by salesmen to the firm and by the firm to the salesmen. Upon sales, there are credit reports which are more necessary in foreign than in domestic trade because of the vague and general nature of most mercantile

nature as those of our company. The second list would contain only the names of the biggest and best firms in the territory. In order to be in the right position for effective correspondence, we would buy credit reports on all names of this second list.

A year before the salesman's visit we would start our "field preparation campaign" with a series of mailing cards. These cards would be handsomely printed, showing our leading products in their natural colors. These, on their face, would be an indication of size and experience, since in language, text, and layout it would be clear that they were the work of experts. The series would consist of 12 bulletins, mailed at two-week intervals. One of these bulletins would feature our several factories, showing in a striking way the immense number of employees. Other cards would show window displays of our products in out-of-the-way cities of the world, as well as on the broadest avenues of the largest cities of the world.

Six months before the salesman's trip we would mail very carefully worded letters in two series. The first of the series would be a general letter going to the large list, from which, of course, the names of the elect had been removed. The second of the series would consist of individual letters based on information contained in the credit reports previously mentioned. While these letters would make it possible for the recipients to make purchases and a strong effort would be made to secure at least one customer in each city, the main object of the series would be to make our representative a welcome visitor later on.

During the six months' period, advertising for the export business would be carried on in two ways. In export journals the salesman's trip would be advertised, showing by means of outline maps the salesman's routes and the approximate dates that he would be in each city. Reprints of these advertisements would be used for enclosures in the letter series. The second use of export advertising would be in the local newspapers in the cities which the traveler was to visit. These advertisements would feature the goods and the company rather than the salesman, but would include a few well-worded lines and a head-and-shoulders cut of the salesman.

The final letter in each series would bespeak a welcome for the salesman. It would be timed to arrive on the same mail as the salesman's advance card, which would be dignified but not cold, and which would show a naturally posed photographic likeness of the salesman. This final letter and the salesman's advance card would be timed to reach the dealer not more than two weeks before the salesman.

While it would be impossible to figure the actual cost of this preparation for any given market, for the purpose of illustration here, it will be found that this method of preparing the field will probably cost one-fifth to one-quarter as much as a salesman's trip. It would be found that the salesman will be greeted on his first trip with all the cordiality that the average foreign traveler receives on his second trip.

The order will prove the value of the field preparation. This plan proved successful. From H. R. Tosdal, *Problems in Export Sales Management*, A. W. Shaw Co., Chicago, pp. 406-408.

agencies and other reports upon foreign firms, and reports which deal with general conditions bearing upon the present or future of the business. It is, of course, very important for the salesman that he be supported at every turn by his house, and the care with which the export manager or his subordinates keep salesmen in the field informed as to product policies and conditions will frequently enable the salesman to avoid costly errors and will give him considerably greater confidence in his dealings with foreign buyers. The salesman in his work needs certain definite instructions. The salesman's power to vary the price should be clearly understood. The representatives in foreign countries are frequently empowered to shave prices whenever necessary to get an introductory order. It should be clearly understood how far salesmen can go in this practice. It should also be clearly understood what terms can be made by the salesman to the customer, as well as what variations in product will be permitted. Firms whose competitive ability depends upon mass production will want to have it clearly understood how far special orders put in by the export salesman are to be accepted and the conditions under which they may be taken. However, the export salesman must be given very considerably more leeway in all these matters than the domestic salesman. If he cannot be given such leeway, the salesman is not capable of representing the house in the export market. If he is capable, he should be given this power, because only in that way can he meet the emergencies which the export manager cannot anticipate.

The salesman in routing himself alone or under the supervision of the sales manager will follow the same general principles as those followed in the domestic market. The size of the territory which he can cover will depend upon a number of different factors, which may vary considerably more in export than in domestic trade. It is evident that more time can legitimately be spent with exclusive agencies than if all dealers in the town are to be visited. It will likewise frequently happen that more time must be spent with a

wholesaler than with a retailer. As in domestic selling, the frequency of the salesman's visits to customers will influence the decision as to the number of prospects to be handled. The traveling salesman of the local branch, who calls upon his trade once a month, can reach a much smaller number of customers than the salesman who visits his trade only once in every three months or even annually. The location of the foreign salesman's prospects or customers has very great influence upon the number of customers to be handled. A salesman can reach more customers of a given type in a metropolitan area than in a rural district. In densely populated areas he can make more calls than in sparsely settled territory. In some countries the length of his average call will be much less than in others. The policy of the company with respect to distribution affects the relative location of customers to be called upon. With exclusive agencies, each call will frequently mean to the salesman a trip between towns or even between countries. The customers in one location may likewise have buying habits which require salesmen to proceed more slowly than in other districts. The salesman's route will depend in part upon the character of the product. If the demand for the product is seasonal, sales will be made only during the buying seasons. If it is a staple product, standardized and well known, considerably less time is necessary in which to transact business with the customer. On the other hand, if the product is a special one requiring demonstration or one of a technical nature requiring tests, the number of prospects or customers reached will be decreased according to the difficulty of selling. The prestige and reputation of the selling concern will also materially affect the time necessary to make a sale, as will the amount of preliminary work done by the house. In foreign countries, especially Latin America, the transportation factor looms large in routing the salesman. Where facilities are adequate, where there is frequent train or steamship service, it is obvious that the salesman can cover much more territory or handle more customers or prospects than when delays

caused by inadequate transportation facilities are frequent and service is not dependable.¹

PERSONAL SELLING IN FOREIGN MARKETS

Fundamentally selling in foreign lands must proceed on the same basis as domestic selling. It must start from the buyers' wants and needs and the desire to satisfy them by the sale of goods at a profit. It is more difficult to ascertain those wants and the relationship of one's goods to those wants in a strange land or an unfamiliar or incompletely new environment than in the home market where every person has been absorbing knowledge of a great many things which affect wants and buying habits, from earliest

¹ An example of the problems met in the routing of foreign salesmen is given in the account of routing of salesmen in Colombia given in *Commerce Reports* for December 11, 1922, pp. 678-679:

No country in South America presents a more difficult routing problem than Colombia. Three distinct mountain ranges, wholly inadequate rail communications, seasonal rains, and long distances between commercial centers must be given consideration. A salesman's route will depend partly upon the merchandise he is marketing. An item of general consumption should be well distributed in the smaller commercial centers as well as in the larger cities, whereas it would be extremely unprofitable to attempt to sell in any but the more important cities articles which have only an intermittent demand.

Some export managers favor entering Colombia via the west coast and leaving by the north coast, but the writer has always been a firm believer in entering by the north coast. By this route the salesman hits two of the most important markets at an early stage of his trip, visiting Cartagena first. This city of 50,000 inhabitants is the distributing center for the Rio Sinu country and the Choco Intendency and rivals Barranquilla as a port. Barranquilla, the next city to be visited, should be carefully canvassed, for here are some of the largest importing houses in Colombia. Santa Marta and Rio Hacha (both on the north coast) are worth visiting. The former can be reached by United Fruit boats, but the latter only by small coastwise vessels, while the return to Barranquilla must also be made by these vessels.

Much criticism has been made of the practice of some American travelers to sell to large importers and later sell to customers of these importers at interior points. This is hard to avoid unless a scale of prices, based on quality or importance of customer, is arranged or unless the salesman, by exercising great tact, can find out to what extent importers are covering certain interior points. Often the importance of the relations of these houses with inland merchants is greatly overrated while the inland business may be very important for the foreign traveler.

Bucaramanga, reached from Puerto Wilches on the Magdalena, presents this type of difficulty. Many direct orders are placed with foreign salesmen, but a large part of its business is done through houses in Barranquilla or Cartagena. It is well worth a visit, unless the salesman has learned that his customers in Barranquilla intend to designate an adequate part of their purchase to this town. Returning to Puerto Wilches, the trip up the Magdalena is resumed to Puerto Berrios, which is connected by rail with Medellin. This is the capital of Antioquia, and the distributing center for the entire Department and as far south as Cartago. It should be visited by all salesmen.

Many travelers familiar with Colombia prefer to visit Manizales next and proceed thence by way of Ibague to Bogota. To one unaccustomed to hard riding it would be more advisable to return from Medellin to the Magdalena, proceeding by steamers and rail to Bogota, and stopping en route at Honda, on the La Dorada Railway. It is not worth while to stop over at La Dorada, the terminus of the lower Magdalena steamers; Beltran (or, next to it, Ambalema), the terminus of La Dorada Railway; or Girardot, the terminus of the upper-river steamers.

From Bogota a side trip to Tunja by automobile usually proves quite worth the time spent, but intermediate points seldom warrant a stop-off. Chiquinquirá, about 20 miles

youth. To convey to the foreign customer the idea and conviction that purchase of the seller's product will be of benefit to him, requires both knowledge of the goods and their uses, and knowledge of the market in such measure that the salesman can furnish the information needed by the buyer and appeal to effective buying motives. In order to make a sale, the salesman will also have to convince the buyer that he and the house he represents are desirable purveyors.

In many foreign countries and particularly in Latin-American countries business is carried on much more on a personal basis than in the United States. While it is true that personality is of enormous significance everywhere, the American buyer will not go so far in his regard of personality that he will ordinarily pass up an admittedly superior proposition because of his dislike of a particular

from Tunja, but best reached from Bogota via rail to Nemocon and thence by auto, is also found worth visiting by some salesmen. From Tunja it can be reached by horseback over a fair trail.

Manizales is best reached from Bogota by way of Mariquita, the terminus of a short railway line from Girardot. Here mules must be obtained for the 2-day journey over the mountains. From Manizales the trip to Pereira can be made in 7 or 8 hours, if care is taken to select proper animals, and from Pereira to Cartago it usually takes 4 to 5 hours. Both of these towns warrant being canvassed. From Cartago (or the port of La Fresnada, about three-quarter mile (distant) to Buga La Grande the trip can best be made by river steamer. Some salesmen stop over at Buga, but this town is fairly well served by commercial houses in Cali with which it has rail connections.

Cali warrants careful canvassing. It is the principal commercial town on the west coast. The amount of business done is much beyond its seeming importance from a population standpoint, as it is the largest distributing center for all the surrounding region. Palmira (two hours' journey by rail) also has some large, well-connected houses, which should be solicited. Since hotel accommodations at Palmira are not very good, salesmen usually cover this town from Cali by taking the morning train and returning on the evening train.

Buenaventura is eight hours from Cali by rail and is the usual port of exit from Colombia. Ten large business houses are located there, but salesmen usually canvass the trade while waiting for a boat.

Comparatively few salesmen visiting Colombia include in their itinerary the towns in the extreme south. It is a hard trip and orders are usually small, but connections once established usually result in some very nice repeat orders. By reason of this isolation, merchants prefer dealing with the few houses which have established personal contact through salesmen, and a visit once every two years is usually sufficient to retain this business, when properly followed up by correspondence. A good itinerary for this trip is from Cali to Jamundi by rail, thence by mule to Popayan, Almaguer, Pasto, Tuquerres, Ipiales, Barbacoas, and Tumaco, on the seacoast.

A number of smaller centers have been sacrificed in this routing in order to include the larger centers with a minimum waste of effort. These small towns, however, all draw on the larger cities to some extent for their supplies and would doubtless receive a certain amount of distribution from those points.

The writer has purposely refrained from including the eastern portion of Colombia, as that is more accessible from the Venezuela side.

The best season to visit Colombia depends largely on goods. While in some lines purchases are made six and eight months in advance, in others buyers are inclined to purchase at almost any period of the year when prices and assortments offered look good. Buying is at its zenith usually during July, August, and September. During these months the traveler will also be able to reach the inland points (where transportation is most primitive in the dry season) when the trails are much more easy of passage.

salesman's methods or personality. In some foreign markets it becomes practically impossible for the salesman to secure a hearing for his goods or his house unless he has first convinced the prospective buyer that he is a gentleman. The need of convincing the buyer that the salesman is a proper person with whom to do business may take a good deal of time. It precludes entirely the rushing tactics which are frequently successful in domestic selling. It involves not infrequently social contact of the salesman with the prospective buyer in his club, at his home, or in a theater.

The American adaptations of the fundamentals of salesmanship are sometimes applicable to foreign conditions, but they are applicable not because they are American methods but because the conditions in a particular foreign market are sufficiently similar to make success for American methods possible. To bring out this point, one might develop at great length the differences in customs of foreign buyers. One might describe the differences between an urban department-store buyer of Buenos Aires and the small shops in Central America; between the bazaar-keepers in India and the compradors in China; between cosmopolitan merchants of German, Swiss, or English extraction all over the world and native traders in every country. The fundamentals of selling to them would be the same, but the knowledge of the conditions under which those fundamentals are to be applied would develop an approach and type of interview and a close which outwardly would seem much different from that which would be successful in selling similar products at home.

The salesman must be careful, as in domestic selling, not to sell the dealer too much, so that his stock will turn slowly, so that he either runs out of stock or has not sufficient incentive to push the goods. The salesman must be courteous, he must be careful in the extension of credits, but be that as it may, the selling process is essentially similar, the buying motives as a whole are fundamentally the same, although the weight and importance which the Latin Amer-

ican or Chinese attaches to particular motives may vary. The heritage of a civilization and the whole fund of national conditions combine to make peoples differ in their appraisal of particular objects and conceptions and ideas, and as a consequence we must not overlook the fact that an appeal to a motive which might be very effective in a young, growing, prosperous, and progressive country like the United States would be comparatively ineffective in an old, settled country in which business has been transacted for hundreds of years.

COMPENSATION OF EXPORT SALESMEN

The methods of compensation of foreign salesmen are similar to those which characterize the majority of firms in domestic trade. The majority of export salesmen receive a salary plus expenses. The advantages of the plan from the view-point of the salesman are the guaranty of an income, irrespective of the volume of sales and profits, and the smaller risk he undertakes; the possibility of doing work in building up a territory which may be eventually profitable but which is not immediately productive. From the view-point of the house the salary plan gives more of a hold upon the salesman and enables the house to require developmental work. In this as well as disadvantages, the arguments are the same as in the domestic field.

Some salesmen are paid solely on a commission basis. Since expenses are often paid by the company, all commissions earned are practically clear. By compensating foreign salesmen with a commission based upon a percentage of net sales, the company assures itself of paying only for actual results. It is not probable, however, that a man can be induced to take up the sale of many products on a commission basis in a foreign country when he knows that he cannot expect to reach his maximum stride until he has been in that country for at least a year. Even from the standpoint of the firm, compensating salesmen solely on a commission

basis is not wholly advantageous, for emphasis is put entirely on sales and little attention is given to the need for demonstrations, missionary work, and calls upon dealers from whom no immediate orders can be expected, but who may be induced to give information concerning the policies of competitors.

Another method intended to offset the evils of paying foreign salesmen on a straight-salary or a straight-commission basis is a compromise between the two. The salesman is paid a commission on all sales which he makes, and, in addition, a small salary to cover his work which might not result in immediate sales, but which are nevertheless building up good-will for the firm. This method also has its disadvantages, since increased earnings depend entirely upon increased sales, and the company's representative is still liable to give undue emphasis to immediate results.

Another method, though used infrequently, is a modified task-and-bonus system. The expenses of the foreign salesman are paid by the company as before, but his compensation depends not only upon a commission on all sales, but also upon the payment of a small fee for each duty which he performs. For instance, foreign representatives of one company are paid on this basis:

Each call	\$0.25
Each demonstration .....	.50
Each adjustment at the rate of an hour for time consumed	1.00
Each sale	5% commission

Thus in a new territory where sales are small a salesman will be able to earn a living, yet the company will be paying only for the work actually done in its behalf. Although this plan might work admirably in large centers like Mexico City, Buenos Aires, or Rio de Janeiro, in smaller towns a salesman would be able to make but few calls per day. There is also the temptation for the dishonest or weak salesman to report calls as demonstrations or to report calls which he did not make.

Furthermore, the cost of living varies considerably in the cities in which the companies maintain foreign sales branches. In most foreign countries social standing is of great importance and it is necessary that the company's salesmen "live as white men" and attend the same social functions as their customers. The salary of a foreign salesman must, therefore, be set at a figure sufficient to enable him to live as a gentleman in the city in which he is located.

The export salesman, like the domestic salesman, will be expected to make certain reports of progress. These reports may be simple or they may be very comprehensive. It is probably true that, as a whole, export salesmen are required to make more extensive reports and to write more extensive letters upon market conditions than domestic salesmen. There is every reason why this should be the case. While it is undesirable to overload the salesman, the necessity for first-hand observation and information upon the credit standing of individual prospects or customers, upon market conditions, upon demand for the product, upon changes which might be desirable in the product, is of vital importance to the concern, and it is too often true that the exact information which is needed to decide upon important problems can best be secured by a person on the spot. The salesman, therefore, who is a poor observer, who slights his reports, who will not make comments upon credits or upon conditions in the country, limits his usefulness to his house and in a way limits also a great opportunity for his own development.¹

¹ According to Howard C. Kidd in *Foreign Trade*, Prentice-Hall, Inc., New York, 1921, pp. 319-320, the salesman's periodic reports should contain such information as the following:

1. Specific credit information
2. General credit and economic conditions which may affect sales
3. Active competition in the market
 - (a) Source of competition
 - (b) Reasons for its success or failure
 - (c) Quality of competitor's goods
 - (d) Price and credit arrangements
4. List of prospective buyers
5. Various lines in which merchants are interested
6. License regulations
 - (a) Amount:

In Argentina this varies from \$212 per year in the Federal District, \$297 in Mendoza, to \$254.76 in Tucumen. Special seasonal rates are granted. In

EXPORT SALESMANSHIP AS A CAREER

From what has been said about export salesmen and their problems it is evident that the ability to sell successfully in foreign markets is rarer and commands a higher price than ability to sell in the domestic market. For many men

Tucumen, the July-December rate is \$127.38. (Tariff Series Number 35.) In one province, Salta, the fee varies according to the quality of goods represented. The fee in the case of empty bags is \$25.48, which is the lowest; that of textiles is \$424.60, the highest.

(b) Conditions:

Sometimes a license fee is charged only when goods are sold from samples and not when sold from catalogs. This is true of the Federal District, Argentina.

(c) How avoided:

In Buenos Aires, it is possible to avoid paying this fee by assigning travelers to local importing houses.

7. Customs treatment of samples

(a) Clearance:

In some countries, provision is made for facilitating the clearance of samples, before the passing of other cargo through the customs house.

(b) Samples "in bond":

Usual to have samples shipped in bond to some countries for instance, Argentina. May be bonded for 90 days there with 90-day renewal privilege.

(c) Samples free of duty:

In Bolivia, and many other South American countries, samples of "no commercial" value may be admitted free of duty.

8. Customs duties on advertising matter. Chilean regulations:

"There is no regulation permitting commercial travelers to import advertising matter for complimentary distribution without the payment of duty except in the case of catalogs, which are specifically exempted from duty. In this regard the superintendent of the Chilean customs has stated that a certain latitude is allowed and that a commercial traveler would not be charged duty on a reasonable amount of catalogs and advertising matter. It is not probable, however, that the customs house would pass any more than a very limited number of souvenirs or souvenir calendars."

9. Buying seasons

Each market varies. Seasons in Argentina are as follows: The importing merchants generally foresee their wants from 12 to 18 months in advance. The mere fact that they are fully 30 days steamer distance from the United States and Europe obliges them to place their orders far in advance. Taking into account the time required for an order to reach the United States or Europe, preparation of the order for shipment, time in transit to this country, and the time before the goods can be cleared through customs house, it would take from 4 to 5 months to bring the merchandise to the wholesale jobber in Buenos Aires. In addition, it requires from 6 weeks to 2 months for goods to reach the small country retailer after passing through the hands of minor jobbers in the principal provincial cities. In case of textiles, purchases for winter use are made one year in advance. The winter season here differs from that in the United States, as it falls during May, June, July, August, and September, while the summer takes up the other months of the year.

Holiday (Christmas) goods must be in hands of retailer not later than November 1 (most insist upon having them October 1) and orders must be placed not later than June 1. This is also true of goods for use during carnival time, which generally falls during February, orders being placed 6 to 8 months in advance always.

The harvest and threshing season begins in December for wheat and continues until May for corn, and machinery, twine, bags, and so forth, destined for this purpose must also be purchased at least 12 months in advance to insure their being here at the time of the harvest.

In the case of other merchandise, where climate or other reasons do not enter into consideration, orders are generally placed 6 to 12 and 18 months in advance of receipt of merchandise and before it can be placed on the shelves of the small retail dealers in the interior of the country.

10. Characteristics of business law which may affect credits and collections
11. Special packing requirements
12. Tariff regulations

the career of export salesman possesses a fascination which domestic selling could never furnish. The contact with new environments, with strange peoples, the study of human nature, travel, excitement, experience, combine to give the export salesman an opportunity not ordinarily furnished by selling at home. While as a whole export salesmen are probably more highly paid than domestic, the number is small compared to those in the domestic field and the prizes as a whole smaller. The avenues of promotion are similar to those for domestic salesmen, namely, to other and more responsible positions; selling positions, and executive positions in the export or sales organization.

The candidate for sales positions in foreign markets will frequently be compelled to sign two- or three-year contracts before being sent out into foreign fields, particularly when part of the prospective salesman's training is to be given at company branches or agencies.

As a whole there is no more honorable or responsible personal selling work than that in which the export salesman for an honest product and a reputable house is engaged. Better salesmanship is needed abroad; men who are trade builders;¹ men who can take the broad view-point of practicing personal selling as a vocation directed toward filling the wants of the buyer and not merely that of making an immediate but perhaps temporary profit. The export salesman is ambassador of his house, representative of his country; he assumes a responsibility much greater than that of the salesman in the home market whose example we can instantly take or reject as typical of the best of America. To many a foreign buyer and prominent merchant or trader, the traveling salesman is the only personal contact with the United States that he has; he forms his judgments upon the basis of the conduct of the few salesmen whom he meets.

¹ *Commerce Reports*, 1922, pp. 571-574.

XIV

THE SALESMAN AS A PART OF THE SALES ORGANIZATION

The nature and functions of the sales department. The organization of the sales department. Types of sales organization. The sales branch. The home office. The sales manager. The field organization of the sales department. Sales "foremen." Branch manager. Relation of sales to other selling departments. The export department. Sales research. Credit. Relation of sales to non-selling departments.

THE selling department, as that department of a business enterprise charged with the function of marketing the product, is, of course, the one which has the direction of personal selling and is the one with which the salesman comes primarily into contact. Sales departments of manufacturing and of wholesaling organizations vary from one-man departments to departments comprising thousands of salesmen and a corresponding number of executives and clerical workers. One company doing a ten-million-dollar business in a trade-marked food product has a sales department consisting of 4 men. Another company selling to retailers in the same line has over 2,300 salesmen and several hundred officers and clerical workers. The sales departments differ greatly, first, because the work which they have to do varies widely, in scope, in amount, and in its character; and second, because, as in any other type of organization, the personality of individuals who are in executive positions leaves its mark upon the organization. Not infrequently the sales department has no other important function than the direction of personal selling. In other cases the sales department is entrusted with the direction of all of those functions which must be performed in order to effect satisfactory marketing of the product. As a rule, the sales department

could not exist without the salesmen, although there are a few companies which rely wholly upon advertising, and whose sales department might, therefore, be said to be the department having to do with advertising.

The salesman is not a free lance. His success in his work depends in a much larger measure than he usually believes, on the cooperation of the sales and other departments of his business. If the production department does not produce satisfactory goods, the salesman finds that he cannot build up a satisfactory "repeat" trade for his product. If the policies of the house are not fair, liberal, and just to buyers, the salesman will have a much more difficult task selling his product. If the advertising work carried on in the sales department or in a separate department is not well planned and well executed, the work of the salesman becomes more difficult than it would be otherwise. If the traffic and shipping departments do not fill his orders properly, if the office department does not bill orders properly, if claims are not handled satisfactorily to buyers, the salesman will feel very keenly the handicap which he must overcome, if he can overcome it at all. Usually the salesman does not realize and does not appreciate, or ignores the cooperation of other departments until, through some hitch or some mistake, the essential nature of that cooperation is made evident to him.¹

THE NATURE AND FUNCTIONS OF THE SALES DEPARTMENT

The sales department, like any organization, consists of human beings in definite relationships to each other, such relationships being established for the purpose of coordinat-

¹ The president of a large hosiery manufacturing company, in an article in *Printers' Ink Monthly*, February, 1923, asserts that a salesman may be a fine salesman but "it seldom if ever occurs to him that some small part of his big sales may be due to:

1. The excellence of the product he is selling;
2. The sales policies of his management;
3. The hard work of the production, inspection, and other departments of the business;
4. The efforts of the advertising department and the advertising in his territory which is building knowledge of his product and helping in the introductory work;

(Footnote continued on page 350)

ing and harmonizing the efforts of each one to bring about a desirable result. The sales department, therefore, consists of persons working together to accomplish certain ends connected with the marketing of the products of the company or of the commodities which have been purchased for resale. According to the broadest conception, the functions of a sales department should include all of those necessary to market the product after the manufacturing department has relinquished its control.

First of all it includes the selling functions, comprising both the preliminary creation of consumer recognition and consumer acceptance or consumer demand by means of advertising, and the actual selling operations which are intended to eventuate in sales transactions. The selling for which the sales department is responsible may be divided according to the territory over which operations extend. The most obvious division on this basis is the common separation of domestic sales from export sales. While it has been pointed out¹ that fundamentally export selling and domestic selling are similar, it has been the general practice, at least within the sales department, to place selling in the export field and selling in the domestic field under separate executives. The sales department, therefore, may contain two sections, an export section and a domestic section. Similarly, the selling work of the sales department may be subdivided on the basis of domestic territories. The fundamental reason for such division is the attempt to divide the work because of its volume, not because of its nature.

Most commonly the selling work of the larger sales department is divided according to selling methods used. Departments or subdepartments of the sales department may and

(Footnote continued from page 349)

5. The hard work of the operatives in the mill or factory who are building quality into the product;

6. The work of the men who have preceded him in his territory.

"These and many other factors he is apt to overlook are helping the present sales of the salesman."

¹See Chapter XIII.

often do deal with advertising, personal salesmanship, correspondence, direct mail, house organs, and the like, depending upon the means adopted for the accomplishment of the selling function.¹ Lastly, selling work may be divided on the basis of type of product sold or type of customer. Large organizations usually adopt two or more bases of division.

The second general group of functions of the sales department is connected specifically with the physical supply of goods, including such functions as packing, shipping, and storage. Every one connected with the sales department will acknowledge that in so far as finished goods are concerned, proper packing, shipping, and delivery are necessary for the continued operation of the sales organization and for improvement in the performance of its selling functions. The present-day emphasis upon service as a selling argument is related very largely to the service connected with the physical delivery of goods. While the selling function, or at least the personal selling function, is always included in the sales department, there is a variety of practice among actual sales organizations as to the inclusion of packing and shipping.

There is also a variety of positions for the credit department. Some sales departments include control of credits, the reason being that, assuming that the sales department is responsible for net profits from sales, it can better handle customer relations, including credits, than a separate department. There are, lastly, certain functions sometimes included in sales departments which have to do with control and planning work; that is, accounting for sales, statistics relating to sales records, the purpose of which is to provide for planning and for checking the performance of the organization in the execution of its main functions.

One may also, in studying the work of the sales department, make a distinction between those functions which are to be considered as planning functions and those func-

¹ Regarding the relation of advertising to sales department, see Chapter XVII.

tions which may be called executive or relating to performance.

THE ORGANIZATION OF THE SALES DEPARTMENT

In a small business, in which one man is the proprietor selling all that is produced, problems of the organization of the sales department do not arise. As soon as the business increases somewhat, the proprietor will divide up his work so that one man will spend all his time in production, another taking care of the sales and using his time not so needed in production. With the increase of the amount of work to be done by the sales department the next step which will logically be taken is that of adding an assistant in selling who may be assigned special tasks. If the firm decides to advertise, then advertising may be split off as a separate division of the sales department or as a department by itself. As the work becomes still greater in amount, further subdivision of duty takes place. One man is entrusted with the management of the salesmen, another with advertising, a third with delivery, and they may go still further to divide the work of managing the sales force both according to the territory and according to the type of work which the various members of the sales force must perform.

The sales department, therefore, applies the principles of division of labor by the specialization of men within the department in various duties (1) according to the area in which the work is to be performed, (2) according to the type of work, which may depend upon the product or upon the customer to whom the product is to be sold, or both. The work may be divided among sales managers and several groups of salesmen, each one of which sells a single class of product; for instance, in a rubber manufacturing company one sales manager and a group of salesmen may be given the selling of tires, another somewhat similar group the selling of rubber foot-wear, or, as in a company selling

various food products, both at wholesale and retail, one group of salesmen with a sales manager may be given the task of selling to retailers, another the work of selling to institutions, and a third through its own retail stores to consumers. Again, the work of selling in New England territory may be assigned to one group of salesmen under a subordinate sales executive, with a second group handling the Middle Atlantic states, and so on throughout the United States.

The sales organization must be adapted to the individual enterprise. The sales organization must be adequate for the work which it has to do. It must be sufficiently flexible so that it can take care of changes in the amount of work which it has to do that cannot be anticipated with accuracy. The sales organization should, therefore, be a result rather than a beginning or cause. Before the sales department can be developed, certain decisions must necessarily be made by the executives which will have effect upon the form of the department and the size of the personnel. Roughly, the structure of any sales department will depend chiefly upon the following factors:

1. Personalities of executives
2. Nature and size of the enterprise
3. The number and buying habits of purchasers
4. The method of selling adopted
5. Selling policies
6. The financial conditions of the enterprise, which in turn may determine policies and methods

The organization should be built and adjusted to the work it is to perform and the method of performing it. Every sales organization should be explainable in terms of work to be done, in terms of policies which have been adopted after thoughtful consideration, and in terms of selling methods which have been carefully selected to bring about the most effective and economical distribution. But these are not sufficient for an effective organization. One must add still another, and often a determining, factor; that is, the

personal factor, the personality of executives and of those in authority. Many organizations which apparently violate all of the principles of good organization operate successfully because of the influence of capable executives and dominant personalities, and many organizations are unsuccessful because the personnel or leadership is incapable. One must always make the mental reservation, in speaking of an organization, that the personal equation is of very great importance. But the conclusion is inevitable, that as a means of accomplishing certain objects, given certain abilities and certain personalities, the more logical the organization, the greater the ease with which the purposes should be accomplished.

The factors upon which the character of the sales organization depends are more or less interrelated. For instance, the size of the enterprise is related to the finances, the finances to the selling methods, the buyers to the type of commodity. Any classification is, therefore, not exclusive, but merely approximate, for convenience in presentation. The nature and size of the enterprise will, of course, have a definite influence upon the amount of work to be done and, therefore, upon the size and character of the organization required for selling. A ten-million-dollar company selling a product to retailers will require a larger organization than a hundred-thousand-dollar company selling in the same way, because the amount of work to be done in the first case is much larger than the amount of work to be done in the second.

The number and buying habits of buyers will likewise have an influence on the size of the sales organization. If the buyers are unfamiliar with the product, if they wish to purchase frequently and in small lots, if a personal demonstration by experts is required, if the product is one which is sold very widely, the amount of work that will have to be done by a sales department will be greater than in the case of a concern having the same distribution policy and selling a well-known product to a few large buyers. There

is apparently no direct relationship between the volume of sales and the size of the sales organization. A much more direct relationship prevails between the number and character of sales which must be consummated and the size of the sales department. The type of commodity, therefore, may affect organizations by requiring much and intensive selling effort, by requiring special service to keep the commodity in satisfactory condition or special service for delivery. Indirectly the type of commodity determines buyers by determining the nature and number of prospective users. Actual buyers are directly determined by distribution policy.

The policy of an enterprise with reference to the use of advertising, personal salesmanship, correspondence, will affect the size and character of the sales organization. A company which uses advertising almost exclusively will have a very small sales organization; another which depends upon personal selling to a large extent may have a very large selling organization for the same general volume of business. Such organizations as the Cream of Wheat Company and Butler Brothers, wholesalers, have very small sales organizations since they depend upon advertising almost exclusively. The Procter and Gamble Company, on the other hand, has over 2,000 salesmen.

Selling policies, particularly distribution policies, affect the number and character of buyers and thereby the character of the sales organization. The distribution policy may determine the selling to wholesalers, to retailers, or to consumers, but as the number of consumers is much greater than the number of retailers, and the number of retailers is much greater than the number of wholesalers, the amount of work in selling will vary widely. The trade-mark of a company may affect the amount of work to be done. The financial condition of a company may be such as to compel it to sell to wholesalers rather than to retailers or consumers, because of the greater financial risk and greater financial resources involved in selling to retailers or to consumers.

TYPES OF SALES ORGANIZATIONS

In their relation to salesmen, existing sales organizations may be classified in several ways.¹ It may be easier to understand them if they are classified according to the degree of connection between the salesmen and sales headquarters. The simplest type is the organization in which the salesman reports directly to the sales manager or to his assistant in the home office. This is the most common type of sales organi-

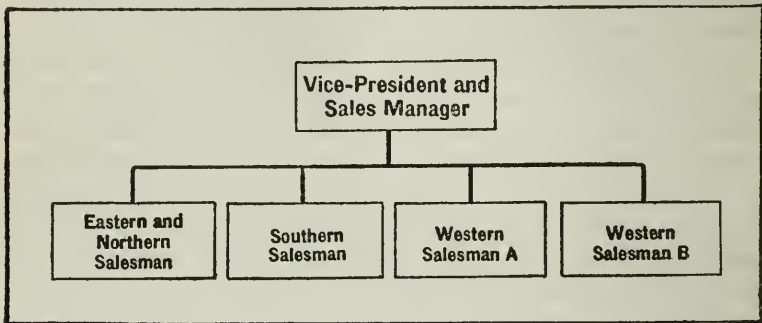


Figure 4: Organization chart of manufacturer selling to large institutions. It is the one which is best adapted to smaller organizations although it is also used in many larger companies.

For the very small organization it is obviously possible for the sales manager to maintain contact directly with the

¹ *Dartnell Survey of Modern Sales Organization* gives as the five general types of sales organization: (1) the home office organization, so-called because all the salesmen travel out of the home office; (2) the resident salesman organization, which provides permanent headquarters for salesmen with supervision from the home office; (3) the district office organization, where regular sales offices are maintained in selected strategic centers in charge of a branch or district manager, who in turn reports direct to the general sales department at the home office; (4) the more modern divisional or regional organization, where the country is divided up into divisions, and a division manager placed in charge of all branch offices in that division, the division manager making his headquarters at the division point; (5) a similar divisional organization, except that supervision of divisions is exercised by division managers located in the home office. Appendix G contains several charts illustrating the classification used in the text, which is based upon a study made by T. Sander, Jr., for the American Management Association.

salesmen. As the work increases and the number of salesmen increases, direct contact and direct supervision is frequently delegated to an assistant sales manager or manager of sales personnel. The advantages of this type of organization lie chiefly in the more direct contact between sales headquarters and the individual salesman. The salesman gets to know the house and its officials if he is so located that he can visit headquarters frequently.

Nevertheless, in many organizations of this type the sales manager attempts to direct the work of too many salesmen. With his other duties, including the necessity of making and carrying out marketing plans as a whole, he must devote necessarily only a proportion of his time to personal selling, and that proportion, if sufficient, causes him to neglect other portions of his work, including personal selling. Furthermore, the company whose sales force is scattered over a wide area may find it expensive and frequently impossible to bring its salesmen into the house very often. As a con-

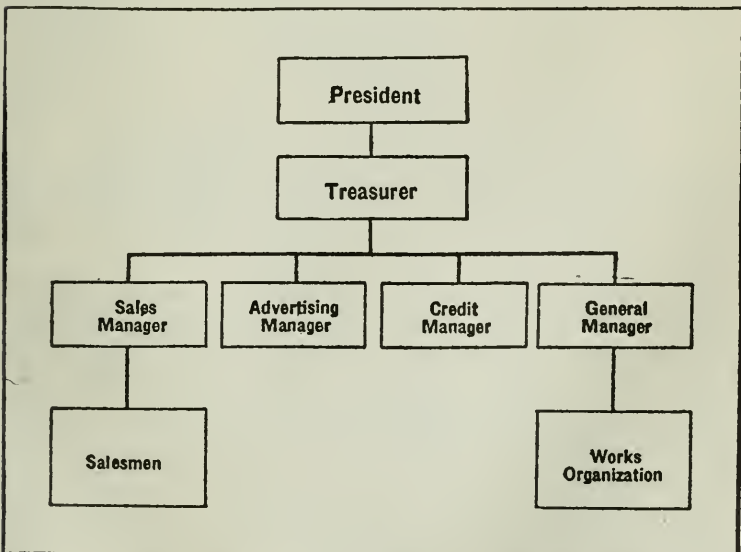


Figure 5: Organization chart of a shoe manufacturer.

sequence, the salesman operates at long range, with closer contact with many of his customers than with the sales officials at headquarters. It is true that the sales manager or other executives from headquarters may travel over his territory and work with the salesman or the salesman may

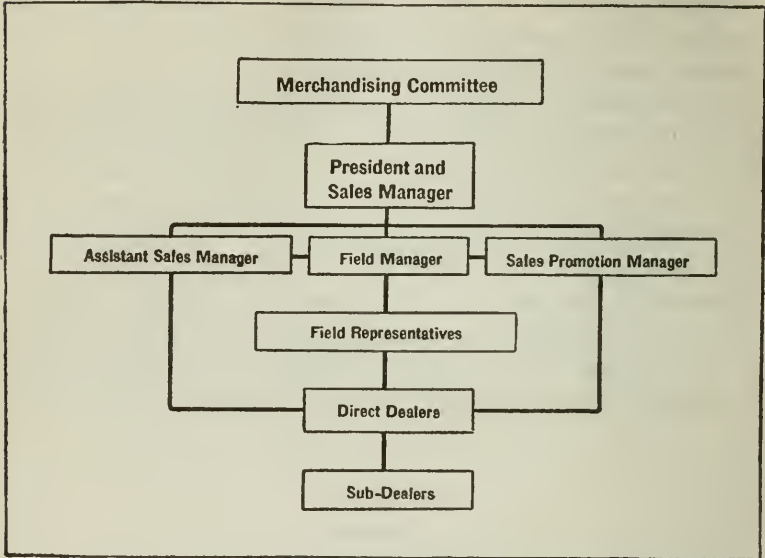


Figure 6: Organization chart of a typewriter company.

be in charge of a field representative from headquarters, yet the contact between the house and the salesman is more or less unsatisfactory.

The second type of sales organization emerges when a sales branch or sales office is inserted between sales headquarters and the salesmen. The salesman now reports to some official, branch manager, senior salesman, or sales director at the sales office or branch rather than to headquarters. These sales offices vary widely from little more than headquarters for one or several salesmen to extensive branches whose business and organizations are larger than some large individual enterprises. In two types of sales office the salesman still reports directly to sales headquar-

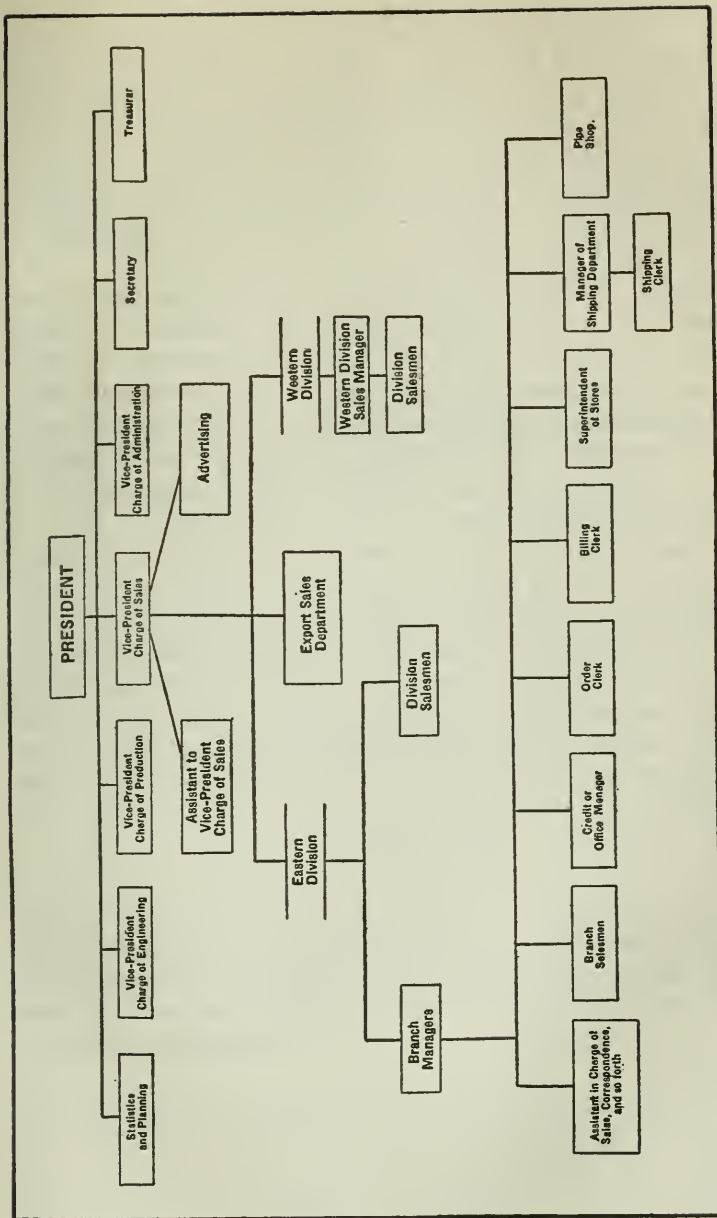


Figure 7: Organization chart of a manufacturer of valves and pipe fittings.

ters. The first type of sales office is the one which serves as headquarters for a single salesman. Many firms want the salesman to set up an office of his own, to establish headquarters in his own territory, to have an address which he can use in asking his customers to send any mail orders; in short, many firms like to term the salesman the "sales manager" of his particular territory. Nevertheless, the salesman in such a case reports directly to sales headquarters.

Second, the sales headquarters may be furnished by the company as a meeting place for several salesmen. It may consist merely of an office where salesmen can come together between trips, sometimes in charge of a stenographer or clerk who takes care of occasional office calls during the absence of the salesmen. Each salesman, however, reports directly to sales headquarters, and hiring and discharging come from headquarters rather than from the branch office.

A sales office may be, however, in charge of a senior salesman or of an office manager who spends part or most of his time in selling work. Ordinarily, he has only advisory powers with reference to hiring and firing, the chief responsibility being taken by the home office. This is somewhat similar to the sales "foreman" or squad leader or sales director, who may or may not have the power to hire or fire, though he has the power to direct the activities of the salesmen.

THE SALES BRANCH

The most important form of office is the sales branch which is in charge of a branch manager. While branches vary widely as to their functions and their responsibilities and their relationships to the home office, most of them have at least those functions which are of especial importance to salesmen.

The most complex type of sales organization provides for two or more grades of branches, with the result that the salesman is removed two or more steps from sales headquarters, a type in which the salesman still reports to his

branch, whatever that branch may be denominated, while the branch reports to a district or division office, which in turn may report to the home office. To the salesman it does not make much difference whether he is reporting to the branch manager who reports to the division head, or to a sales manager who reports to headquarters. Such divisional organization is used only by companies which

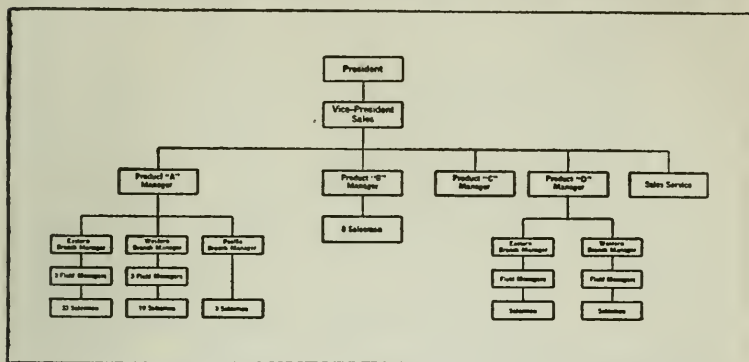


Figure 8: Organization chart of a manufacturer of abrasive products.

have need for a considerable number of branches. In addition, there are some few large firms which have still more complex types of organization than those mentioned here. For instance, an organization may be made more complex if the company sells several products for which it has different types of branch organizations. The organization may be further complicated by several territorial divisions.

An examination of the organization of a considerable number of companies employing salesmen shows that generally the salesman is directly in the charge of, and responsible to, one of the following:

1. Senior salesman
2. Sales foreman, squad leader, sales director
3. Branch or division manager or assistant
4. Assistant sales manager, personnel manager, or other subordinate to sales manager at home office
5. General sales manager or vice-president in charge of sales

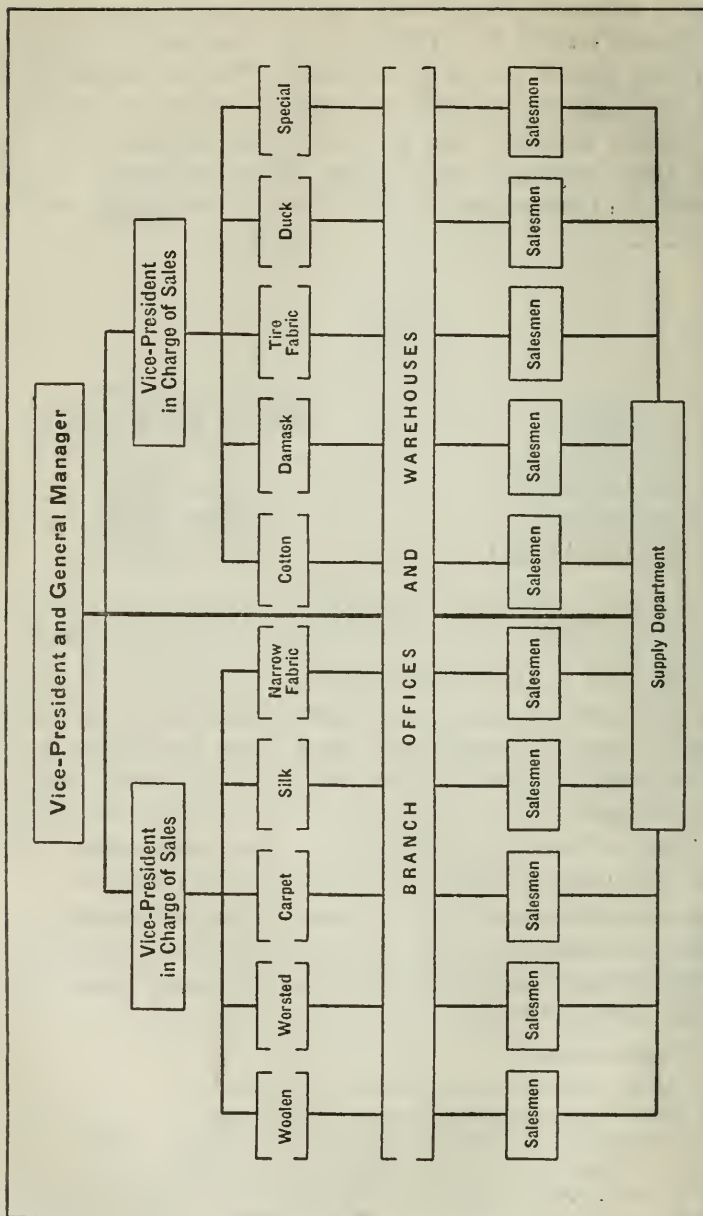


Figure 9: Organization chart of textile machinery manufacturer.

THE HOME OFFICE ORGANIZATION—THE SALES MANAGER

The salesman is interested in the executive direction of his company and in the executives, particularly the sales executives, for two reasons. First, sales executives are entrusted with the responsibilities and duties of directing the salesman's work, and he should work with them in their work for the house. Secondly, the salesman is in line for promotion to the executive positions in the sales department. He should, therefore, study and work with the sales executives so that he may understand their problems and by that understanding increase his chances of promotion and the chances of his making good when he is promoted.

The need of leadership in any group of individuals aiming to accomplish a single purpose cannot be denied. In the business organization the leadership of the directing heads of the enterprise furnishes general policies and purposes within which the sales department must function. Nevertheless, these limits are broad, and the chief sales executive finds opportunity to exercise his powers of leadership in bringing about the profitable distribution of the product. The chief sales executive, who throughout this volume is called for convenience the sales manager, is the man who is responsible for the continuous and successful marketing of the product of a business. It is evident that without continuous and successful marketing the production department or other departments of a business enterprise cannot function smoothly and with the greatest efficiency, not only from the point of view of the shareholders of the corporation, but also from the point of view of public welfare.

Since in practice there is no common conception of the scope of sales work, there can be no common conception of the functions of the chief sales executive. In a broader sense the chief sales executive is a marketing manager, the one who is responsible for formulating plans and carrying out the marketing of the product. He must bring about the sale of the product, must provide for storing, grading, and

delivery. In the accomplishment of these functions he must manage men, and, to a lesser extent, materials. Furthermore, he must lay the foundations at every point for goodwill to facilitate and reduce costs of distribution in the future. The sales manager is both a planning and operating official. While it is entirely possible for him to delegate more or less of the planning function, yet he must have full appreciation of the necessity for careful planning. Too often sales managers of the past have been men who were not able to make plans but were competent to execute plans made by others. The sales manager must have the general qualifications of an executive. He must have judgment first of all, he must have initiative, he must be aggressive; in fact, the general qualifications of executives in sales and other departments do not differ except as to the emphasis placed upon one or the other. Since the sales manager must lead men, since the success of his work depends more largely upon his ability to establish an *esprit de corps*, since morale must take the place, in large measure, of personal supervision, the elements of personality, tact, and ability in dealing with men are even more necessary than they are in production management, in which the gathering of men under a factory roof provides means for supervision and control which cannot be attained in any important phase of the sales manager's work.

In practice the sales manager goes by a variety of titles. The tendency seems to be growing of giving the sales manager a more important place in the business organization, of viewing his functions more broadly and giving him corresponding authority. A number of concerns have adopted the plan of making the functional official in charge of distribution a vice-president in charge of sales, ranking with the vice-president in charge of production and other vice-presidents in charge of the other major activities of the business enterprise. The chief sales executives are not infrequently the owners or presidents of enterprises. Sometimes they are called secretaries, and in a few cases treasurers or

general managers. The most common title at the present is that of sales manager, but the title is used to denote not only sales managers whose authority extends to the performance of all the distribution functions in a business but also a man who supervises a small group of salesmen.

There seems to be no agreement as to the sources of sales managerial material. Probably the largest proportion of sales managers have come up through the ranks of salesmen, and traveling sales experience at least seems to have been made a requisite of the sales manager's position by many successful concerns. In a smaller number of cases the sales manager has come up through the advertising department. College men have probably been in the minority among sales managers, although with the development of an appreciation of facts, research, and straight thinking, the trend will most likely be toward leaders who are properly trained in the fundamentals of economics and marketing.

The officials of the large sales department immediately subordinate to the chief sales executive may be classified as: (1) general junior executives, who act as assistants to the sales manager under assignments, the division of work being made upon any basis which seems to be suitable at the specific time; (2) functional, where the immediate subordinates are given charge of particular phases of sales work, such as research, sales promotion, personnel records, credits, house organs, advertising; (3) territorial, in which the junior sales executives are given charge of sales work in portions of the territory over which the marketing operations of the company extend; and (4) product, in which the junior executives are given charge of sales work for particular products or lines sold by the concern. The executives who carry on their work at the home office, therefore, have widely varying duties and titles. Such titles as assistant general sales manager, assistant sales manager, territorial manager, product sales manager, sales research manager, all reflect the manifold differences in sales departments.

Junior executives are developed in the large concerns primarily from the ranks of men who have come into the particular departments. The original sources of material vary from subdepartment to subdepartment. For the research department specially trained men may be brought in; this is also true of the advertising department. For the handling of sales personnel, a man may be promoted from the sales force or from the group of field supervisors or branch managers. All of these junior executives are to be considered as possibilities for promotion to sales managership. While in the past the junior executive in charge of salesmen has usually had the best chance of promotion to sales managership, the research department furnishes an unexcelled opportunity for a certain type of man to get the broad foundation for successful management of a particular enterprise. On the other hand, it frequently happens that the research manager is not temperamentally fitted for an executive position; in other words, he may not combine executive with analytical ability.

THE FIELD ORGANIZATION OF THE SALES DEPARTMENT

The manufacturer who extends his selling operations into a market beyond his own immediate vicinity soon learns that the control of marketing is much more difficult than the control of manufacturing. Instead of overseeing workers under one roof, he must direct the operations of a group of men of various ranks and degrees of ability scattered over a section or a country, or perhaps over the entire world. In the past, members of the sales organization traveling in the field have ordinarily been subject only to long-distance supervision. Printed matter, letters, telephone and telegraph, with only occasional visits of officials, were depended upon to keep the sales force operating smoothly and efficiently. Today a well-defined tendency toward more careful supervision is developing. Progressive-minded executives are studying closely the problem of increasing profits

by increasing the amount and quality of supervision of field forces, and not a few of them have already begun to reap the benefits of the more economical combination of supervision and direct sales effort.

Whether the field organization consists of merely a limited sales force with no supervisory officials or an elaborate system of inferior and superior branches, division and district offices, with hundreds of salesmen, the efficient performance of the selling function is, in most cases, the prime purpose of the field organization. Nevertheless, there are other functions the performance of which has frequently been partially responsible for the development of the field organization. One of these is the desire to develop closer contact with buyers, a policy which occasionally leads to the use of field organization to replace one or more types of distributors. Not a few firms have found that an organization in the field was advisable for the purpose of carrying stocks to meet the requirements of customers for economical and prompt delivery. A powerful motive for the extension of field organization is the manufacture of more or less complex products which require expert service in installation, maintenance, or repair.

That the salesman needs the cooperation of his superiors and his house in his work is evident from even a cursory examination of his work. The necessary supervision cannot be furnished properly, however, by the chief sales executive himself, unless the number of salesmen is very small and unless his other duties and responsibilities are light. Supervision of the sales force is only one of the many functions of the sales executive. If, as a number of executives contend, 8 to 12 men will occupy the full time of a supervisor, obviously a sales manager who attempts properly to correlate advertising and personal salesmanship, who attempts to plan so that the functions of the sales department coordinate properly with the other departments of an enterprise, can perform none of these duties properly if he is compelled to supervise a considerable number of men. Only

by delegating some of these duties to responsible subordinates can a sales manager free himself from detail so as properly to direct sales operations in their entirety. Proper supervision for the sales force implies not only desk supervision, which is not infrequently the only type which can be furnished by the sales manager or his assistant, but also field supervision. As sales organizations expand there is, of course, clearer recognition of this necessity; but, even in small organizations, greater efficiency would undoubtedly be secured if active field supervision were furnished.

SALES "FOREMEN"

The official who supervises the salesmen in the field may be a "foreman" of salesmen, whose prime or sole function is that of overseeing a limited group of salesmen; or a district manager, who may have other responsibilities in addition to that of the sales force operating in his district. Supervisory officials of the first type represent a clear-cut application of the idea of foremanship, universally accepted in factory practice, to the management of the sales force in the field. While in practice it has been found advisable to give the appearance of greater dignity to the position of sales foreman, calling him district sales director, squad leader, district manager, or the like, there is no uniformity in designation nor is there uniformity of duties. The use of sales foremen is justified only if it increases profits through increased sales or lower costs of selling. The use of sales foremen is ordinarily expected to increase sales for several reasons: first, because of the improved supervision furnished, there is greater probability that duties of salesmen will be performed more satisfactorily and that waste and other expenses will be lessened. Second, the work of the sales foreman should bring about better selection and better training of salesmen; as a consequence, salesmen perform more satisfactory service and are better paid. The consequence is likely to be also a smaller turnover in sales force. Third, sales foremen

in large organizations provide a means of obtaining the much-needed contact between headquarters and field force, a contact which, on the one hand, enables the ideas and wishes of headquarters to be transmitted into the field more effectively, and, on the other hand, provides for the collection of information concerning conditions in the field and opinions which are of the utmost importance to the correct planning and direction of sales operations by the headquarters staff. Furthermore, the position of sales foreman offers an opportunity for the promotion of salesmen to a subordinate executive position; therefore, an opportunity for determining the qualifications of the salesman for executive work with less risk than if promotion has to be made directly to more important positions.

The introduction of sales foremanship, either through the appointment of field supervisors, or managers of sales offices, may not give the expected results. The foreman chosen may be incompetent. Not infrequently, when such foremen are chosen from the ranks of the salesmen, they are incompetent or unfitted for the position because they have few qualities of leadership although they have outstanding selling ability. The foreman may not be able to convince the men under him that he can be of assistance. It is conceivable also that expected increases in sales may not be realized, because under previously existing conditions the salesmen were working under such pressure and under such direction from the home office that little change could be effected even by competent foremanship. In the last place, the increases in sales may not be realized for a considerable period of time both because the sales foreman, if promoted from the ranks, must be trained to his new position, and because he is apt to encounter the opposition of salesmen not so promoted. Many salesmen, who have been accustomed to going without such supervision, resent the implication that they need it. However, if the sales foreman is able to show results, more satisfactory incomes for salesmen, such difficulties will be only temporary.

The functions of sales foremen include, first of all, education of field forces. The sales foreman is expected to work with the salesmen over whom he has supervision, to assist them in improving their salesmanship, to demonstrate how to sell particular classes of products, to assist them to become acquainted with the new products which are put out by the manufacturer, to help the salesmen to know thoroughly and to appreciate policies and methods of the sales organization of which they are a part. As a part of the control and supervision duties of a foreman, the stimulation of salesmen both by continuous educational work and by personal assistance to each man in overcoming special difficulties is necessary to prevent salesmen from only half-heartedly exerting themselves or from falling into ruts. Not infrequently the sales foreman will be expected to make up for the shortcomings of salesmen. He may be expected to open new accounts or to take special pains to see that salesmen do not neglect this phase of the work, as they are prone to do. He may undertake to facilitate adjustments with customers which it would not be wise to allow salesmen themselves to make. The elimination of the delay and red tape necessary to effect such adjustments through the home office may be productive of much good-will. In general, the function of the sales foreman is, therefore, to assist the salesmen in producing greater sales and in laying the foundation of good-will for future business. In his relations to the home office the foreman is also held to be more responsible for reports and information than is the individual salesman.

BRANCH MANAGER

The personnel of a sales branch depends, of course, upon the functions which are to be performed by the branch. What may be called a branch by one concern may not have even a branch manager, the branch being merely the headquarters for a group of salesmen, each managed directly by the home office. On the other hand, the branch organiza-

tion may be a complete and complex business organization including all ranks of both functional and line executives. The branch organization, as ordinarily constituted, consists of a branch manager, possibly with assistant and departmental managers, salesmen, and such clerical assistants as may be necessary. To these may be added functional branch executives, such as branch credit manager or branch accountant, depending upon the general plan of company organization.¹ Usually the branch manager is chosen by the home office, unless the branch happens to be subordinate to some superior division.

Upon no other operating problem is there such agreement as upon the allocation of responsibility in handling branch personnel. The branch manager is, in the great majority of cases, made partially or wholly responsible for hiring and firing. For this reason, as well as for many others, the selection of the branch manager is of highest importance. While he must have ability to manage men, must understand the problems of salesmen and be able to sympathize with them, he must not lose sight of the fact that his work is of an executive nature and that he must manage the salesmen in such a way as to coordinate personal salesmanship with other means of selling. He must direct the whole of his selling operations in such a way as to conform to the general plans for the development of the enterprise.

The sales force, sales foremen, and junior executives in the home office are the chief sources of supply of branch managers to be found within an organization. However, not a few concerns are experiencing considerable difficulty in the successful operation of branches because they fail to recognize that the all-too-common practice of rewarding successful salesmen by appointment to branch managerships

¹ There seems to be a decided trend toward the functional organization of accounting whereby the accounting officer of the branch is made primarily responsible to the chief accounting official at headquarters rather than to the branch manager. In one firm, branch credit men, branch accountants, and branch advertising men are made primarily responsible to functional officials in the home office.

is not conducive to efficiency of branch organization. Likewise, the successful executive wishes to provide so that men may be promoted for faithful and successful service. Consequently, the desire to reward successful salesmen by appointing them branch managers is understandable; but such promotions have often failed to benefit either the firm or the salesmen themselves. One large firm which, partly as the result of a definite policy of promotion from its sales force and partly because of its rapid growth in the years 1917-1920, had taken most of its branch managers from the ranks of salesmen, discovered a year ago that it was losing its relative position in the trade. Closer examination disclosed constant friction and disorganization in a number of its branches, which militated against the development of a morale in the sales force precisely at the time when it was most needed. To lack of ability to manage men on the part of promoted salesmen and to jealousy and lack of respect on the part of those not promoted was ascribed this state of affairs. The salesman who is promoted from the ranks to become branch manager, possibly in charge of the hiring and firing of those who were formerly his associates, must have more than average ability in managing men in order to overcome his handicap.

Sales "foremen," squad supervisors, and others who have successfully discharged their limited responsibility in working with salesmen, constitute a much superior source of supply. Success as a sales foreman is a good, but far from complete, indication of success or failure as a branch manager. A foreman's lack of the business judgment needed in many branch management positions may not crop out in the specialized work of the sales foreman. Not a few manufacturers prefer to train men taken from outside—in many cases directly from colleges and universities—for branch managerships. While some experience in traveling is desirable, the period is made short enough so that pet prejudices and preconceived notions of salesmen are not absorbed. A period in the home office, followed by a period in a large

branch as assistant to the manager, is sometimes made preliminary to placing the candidate in a branch managership.

RELATION OF SALES TO OTHER SELLING DEPARTMENTS

As a part of the business enterprise, the sales department must work in harmony both with other departments having to do with selling and with the departments which may be grouped as having to do with productions, shipping, billing, and the like. The purpose of all of them is to produce a profit honestly and fairly by satisfying the wants of the public. In practice there is a great diversity among business concerns with respect to the relation of these departments to the domestic sales department. Advertising is frequently handled by an organization which may be coordinated not only with the sales department, but also with the production department.

The early development of an intensive study of advertising methods has led frequently to the establishment of advertising departments in business concerns, which are coordinated with the selling departments devoted to the other types of sales activity. In business organizations there are three common locations for the advertising: (1) coordinate with the sales department; (2) as a part of a separate department called "sales promotion" department; and (3) as a section of the sales department, either as a part of the sales promotion division of the sales department or indirectly as a subdepartment. There is no valid reason, except that of personality, why advertising should not be considered as part of the general sales department. The sales manager should be a manager who is not devoted exclusively to the use of any particular sales method. It should be his function to correlate advertising, personal salesmanship, correspondence, and other methods, rather than to stress one or the other because of greater personal knowledge or because of prejudice. If the chief sales executive is capable, it would seem that there would be a distinct advantage in

having advertising carried on as a subdivision of the general sales department with the official in charge of salesmen coordinate with the advertising manager and both reporting to the general sales manager. Such a plan should insure the proper correlation of printed and personal salesmanship.

Not infrequently there comes up the question as to the continuance of an advertising department, particularly where extensive advertising campaigns are carried on in periodicals, and the handling of the insertions is delegated to an advertising agency. In such cases it is claimed that the maintenance of an advertising department in a business concern is unnecessary because its work simply duplicates the work of the advertising agency, for which payment must be made. Agencies are remunerated chiefly by commissions paid by publishers. Some firms have gone so far as to abolish their advertising departments as departments, retaining merely a clerk or two whose business it is to check the work of the advertising agency. A further argument for this view is found in the fact that in many business organizations it is customary for the board of directors or for the sales manager or other officials to examine and approve all advertising plans. The narrowing of the functions and the responsibility of the advertising manager would be particularly evident among concerns advertising exclusively through magazines. Where special types of advertisements are necessary, where correspondence and direct advertising are advisable, the field of the advertising manager is undoubtedly broadened.

THE EXPORT DEPARTMENT

The export department is logically a selling department. Its functions are those of selling and arranging for delivery of goods in countries outside the United States. The means that it adopts to attain selling are, in general, the same as those used in the domestic market. The differences are differences in degree, not in kind. The prime function of the export department is selling; the prime function of the

domestic sales department is no different. However, it is evident that much of the information with which the domestic sales manager is equipped to deal with domestic problems does not come as a matter of every-day experience as applied to foreign markets. The thousand and one details of knowledge in domestic business practice may be different in foreign practice, and this very difference has led many concerns to segregate the export department from the domestic sales department. It is evident that, if the export department is to be made a part of the general sales department, the chief sales executive must be a man of broad mind and large capacity, who is able to understand and consider the problems of selling wherever they may arise.

The concern which is entering a foreign field and finds it necessary to engage in functional specialization is usually compelled to adopt more or less definitely one of two general courses of organization: first, the course of organization where the export operations are regarded as essentially sales operations of a nature similar to other domestic operations and where accordingly the functional executives should be responsible to the limit of their capacity for both export and domestic sales. That is, the sales manager becomes a sales manager for both foreign and domestic fields, the credit department handles both domestic and foreign credits, and the packing department is not divided into export and domestic packing sections. In the formation of an export department termed a "built-in" export department, there is clearly the assumption that greater homogeneity is obtained by specialization according to functions than by specialization according to area in which functions are to be performed. While in the large export departments the "built-in" feature may imply merely a real specialization among subordinates rather than among superiors, there is no doubt that the built-in department presents a strong appeal for many business concerns, though the successful operation requires possibly greater knowledge and a broader type of mind on the part of more executives in a business

than might be required by the second type of export department called the "specialized" export department.

The separate export department may be located in the business concern as a section of the general sales department in charge of a sales manager, who supervises all the operations subject to the direction of the sales manager or other executives. Not infrequently the separate export department is coordinated with the general sales department. It is obvious that such a department provides the means for greater specialization, which may not be an advantage. It implies the maintenance of a separate export executive and an export staff which, for the small concern or the concern whose export trade is not developed rapidly, implies an increase in selling expense and at least a period in which the profits of export trade will be consumed by costs of operating the organization. Within the export department there come all the questions which confront the domestic sales department.

One question which continually faces the house which has been engaged in domestic trade when it establishes an export department, concerns particularly the relation of the export department to the domestic sales department. There is no sufficient reason for the segregation of the two departments, except size of concern, lack of capacity and knowledge on the part of the higher executives, or personal reasons. With a sufficiently broad-minded general sales executive, export and domestic sales should be so managed as to bring about better results as a whole than where the two departments are separate. Wherever there is segregation there is very clearly the necessity for careful coordination of activity. The fact that foreign trade may be looked upon as a stabilizing factor, as a compensation in dull domestic times for decrease in domestic business, brings with it also the danger that in a boom market in the domestic field the export trade will be deprived of proper supplies by action of the domestic sales department. Long-run policy necessitates consideration of customers'

good-will in the foreign field in precisely the same degree as in the domestic field. The related problems of the export and the production departments are always important because of the necessity of securing prompt delivery, but they are particularly important in concerns in which it is necessary to make changes in sizes, models, styles, finish, and containers for the foreign market. While the export department often feels that it should be able to control the type of product manufactured for export, there is clearly the necessity for compromising between the sales attitude which would comply with the customer's demand in every particular and the manufacturing point of view which desires standardization and efficient production.

SALES RESEARCH

In the development of the function of specialization in the sales department, the separation of planning and performance has led occasionally to the segregation of research activities in a subdepartment. Likewise, the application of research methods to the business as a whole and the need for research in the determination of administrative policy have caused this department to be accorded not infrequently a position which, though not coordinate with the sales department, is not directly under its control.

The task of planning routine types of work is often placed in a subdepartment of the sales department, which is given the title of sales research or sales statistics department. A survey of such departments in modern business concerns reveals little standardization or uniformity either in position within the organization or in functions performed. In its broadest aspect, the sales research department includes all research and planning activities which deal with marketing. In its narrowest sense it includes merely the section of the sales department which is devoted to the handling of inquiries and follow-ups, development of prospects, and the execution of limited mail advertising campaigns.

CREDIT

The relative position of the credit and sales departments is a subject of controversy. There are two methods. First, the credit department is placed entirely outside the control of the sales department. Such action is justified on the ground that in those matters affecting the finances of the concern, the credit department should be operated by officials who will not be biased by any effort to expand the volume of sales. In other words, the credit department must operate at times as a check upon the sales department in order that the percentage of credit losses may be kept at a reasonable figure; so that the amount of capital tied up in accounts receivable may not be inconsistent with the general resources of the business. In concerns in which the credit department is separate from the sales department, there is, of course, theoretically, cooperation between the credit and sales departments. It is realized that the losses may be cut to a minimum by an ultra-conservative policy with regard to granting credit applications, although at the same time this policy reduces net profit because the total volume of sales has been still more largely reduced. Nevertheless, in practice there is a wide-spread tendency toward friction between the sales department and salesmen who are securing orders, and the credit department, which must approve orders before shipment is made. This friction is detrimental to the interests of the business as a whole, because the outcome is a decrease of good-will which could have been established through proper cooperation of these departments.

The credit department, under the second method, is placed in the sales department, so that the credit and selling sections coordinate activities through the superior sales official. This disposition of credit control is based upon the assumption that the functions of the sales department include not only the taking of orders, but also the delivery of goods and the securing of payments for shipment. It

is further argued that, if the sales manager is broad enough, he will realize that the results of his department are to be measured, not in volume of sales, but in volume of net profits; that a balanced policy of assuming the risks necessary to get sales without going to the point at which losses mount up rapidly can be best measured by the cooperation within a single department.

RELATION OF THE SALES TO NON-SELLING DEPARTMENTS

The sales department of which the salesman is a member has the responsibility for effecting distribution of the goods purchased and manufactured in such a way as to bring net profit to the business, but the sales department is not the only one upon which the making of profit depends. It is true that unless goods are sold, no profit can be realized, but it is just as true that unless goods are bought or manufactured, they cannot be sold. It may also happen that goods can neither be sold nor manufactured under conditions of modern business, unless there is sufficient financial strength so that wages can be paid from week to week, raw materials purchased, and equipment maintained until goods sold bring in their returns. The argument as to whether the sales or production department is the more important is futile. No more satisfactory answer can be given than the one given by Carnegie to such a question when he retorted: "Which of the legs of the three-legged stool is the most important?" In other words, the success of a business is measured in terms of service to the public, profits to the owners, and adequate returns to the employees. It depends upon the harmonious cooperation of all the essential functions of the business. In some concerns an excellent selling department makes up for deficiencies of the production department. In other concerns the excellence of the product enables it to be sold in spite of the inefficiency of the sales department.

Friction not infrequently arises between the sales and production departments. While the relationship should be

that of cooperation, the fact remains that in many organizations the production department does not understand the needs and problems of the sales department, nor does the sales department understand the fundamentals of good production management. It is the function of the production department to produce the goods which the public needs and wants and which can be profitably sold by the sales department, but the task of determining what the public needs and wants is sometimes a very difficult one, and it is often necessary for the sales department to go to much study and expense to determine whether a proposed product is in sufficient demand to warrant its production. On the other hand, the sales department may be tempted to ask for many special models and sizes. Efficiency in modern production depends upon standardization, upon decreasing models, styles, and sizes to a minimum. Therefore, the sales department must not forget that production efficiency and low production costs are frequently much more important than decreasing sales resistance slightly by catering to purchasers' whims in the matter of special orders. Although it seems obvious that only that should be manufactured which can be sold profitably, there are not a few firms today which are dominated by the production department and which continue to produce what it desires in spite of legitimate recommendations of the sales department, looking toward the salability of the product. It is evident that from the view-point of the production department, that sales department is the most efficient which enables production to be carried on continuously, in even volume on standardized products, throughout the year. If goods are manufactured for stock, it means that the salesman must, in order to perform the greatest service for his house and the public, sell the product as evenly as possible throughout the year. Where seasonal demands are inevitable, it is desirable to have other products which will furnish continuous employment for both sales and production forces. Where goods are sold and then manufactured to order, it is obvious that

whatever can be done to even up the flow of orders and prevent rush orders, is in the direction of bringing greater return both to the salesman and to the house than if orders are bunched up, requiring overtime and rush work with alternating factory shutdowns.

To some extent the necessities for coordination of sales and production may affect sales organization. While personality as a factor in creating harmony within an organization cannot be overrated and will frequently render unnecessary particular organization measures, the definite provision in an organization for officials or committees to effect coordination offers greater assurance that serious efforts will be made to bring about desired harmony. The organization measures which have been adopted by particular concerns vary. Not infrequently in large organizations, special officials with various titles are appointed, whose duty is primarily that of contact with various departments and coordination of efforts. Such officials are frequently staff officials, reporting directly to administrative officers, whose duties include supervision of the various departments but whose time is insufficient to attend to matters of coordination in details.

A second method of attaining such coordination is that of committee arrangement, whereby, through conferences and meetings, members of production, sales, and financial departments of a business meet to discuss problems in the various departments which affect two or more phases of activity. Thereby, the production manager or production official secures some knowledge or understanding of selling, and the sales manager acquires the comprehension of the difficulties of production. The forms which the committee may take vary widely from committees whose action is final and mandatory, to informal committees whose main object is discussion and where authority remains in individual heads.

Traffic and shipping departments have not been assured a definite position within the modern business organization.

Practice varies, but most concerns have adopted one of three general methods. First, the traffic and shipping departments are placed under the control of the production department. The reasons given are that the physical operation of shipping is more analogous to manufacturing operations than to other phases of the business, and that they can therefore be handled more efficiently by the production department. A second reason given is that the shipping and traffic departments must act not only in connection with outward shipments, but also in connection with inward shipments, therefore acting as a receiving department for materials, equipment, and supplies for the production department.

The second position of the traffic and shipping departments is within the sales department, the reason given for such disposition being that selling operations include not only actual order-taking, but also the delivery of finished goods. It is stated that the responsibility of the production department ceases when products are delivered in good order to the finished-goods storerooms, and from that point the responsibility for handling shipments should rest with the sales department.

A third method of handling the shipping and traffic departments is to combine them in a distinct department, coordinate with sales and production. This department is frequently called the merchandise department. The underlying reason for such an arrangement is the functional segregation of shipping and traffic management, particularly because shipment and delivery of goods concern both production and sales departments; consequently, a coordinate cooperating department will favor neither and serve both.

Within a manufacturing organization the purchasing department is ordinarily independent or connected with the production department, because the bulk of purchases and most purchasing activities are concerned with material, supplies, and equipment for manufacture rather than for selling. Some concerns, with purchases which mount up very considerably, place the purchasing department as coordinate

with production and sales, thereby being in a position to serve impartially both departments. While the purchases of the sales department of a manufacturing concern are, of course, small in comparison to the volume of business, such is not true of a wholesale concern. In wholesale merchandising, the purchasing department occupies a position similar to that of the production department in a manufacturing enterprise. More than that, the purchasing officials or the buyer in wholesale concerns, particularly in dry-goods, hardware, and groceries, have been ordinarily the selling as well as the buying heads of their respective departments. As a consequence, the management of sales by buyers has become the accepted practice. More recently, wholesalers found it advisable to reexamine the whole question of buying, and to question whether the management of sales by buyers was attaining the results desired. Certain firms have experimented successfully with the establishment of sales managers whose business was that of directing the selling functions, which is the chief business of wholesalers, and who were expert in those phases rather than in buying. It is further contended that the type of man who makes a buyer is precisely the type of man who does not make a good sales manager. The force of this argument is frequently increased by making the statement that men who can buy successfully and at the same time sell successfully are extremely difficult to find. If such a combination of characteristics and abilities is rare, it may be a reason for functionalizing a wholesale concern in order to derive the advantages of division of labor.

Since both manufacturing and sales require capital—particularly working capital for pay-roll—the question of relationship between financial and sales departments becomes important. The financial functions of a business enterprise are usually controlled by an officer who is a member of the corporation or an appointee of the board of directors. He stands as a check and expert assistant in the financial phases of the operation of both production and

sales departments. It is evident that the policies and methods of the sales department with respect to credits and price will be determined largely by the financial conditions of the enterprise and the relationship between the financial authorities of the enterprise and the officials in charge of sales. The coordination of financial and sales departments may likewise be effected through the personal relationship of the corresponding officials. Organization measures are not the only solutions of the problem of coordination. Nevertheless, as in the relations of the production department to the sales department, many concerns find it advisable to effect coordination of financial and sales departments by committee organization, such committees having mandatory power or, in certain cases, being informal conferences. The staff officers are sometimes assigned duties of coordination. Under a budget system, the financial coordination of efforts rests with the budget-approval official or committee.

THE HOUSE AND ITS POLICIES

Product policies. Distribution policies. Selling direct to consumer. Selling to retailers. Distribution through wholesalers. Selling through agencies between manufacturer and wholesaler. Exclusive-agency policy. Price policies. Price maintenance. Policies toward customers. Claims and allowances. Cancellations. Policies toward competitors. General relations of manufacturers to each other. Relations of manufacturers to each other in selling.

PERSONAL selling, as has been mentioned before, includes both the selling of the product and the selling of the vendor as a desirable source of supply. This includes selling the product in the way in which the seller likes to have it sold. The particular conditions under which the seller disposes of his goods can be determined within limits by the seller himself, but it is obvious that, if the conditions are not in the interest of the buyer or are contrary to the seller's interest in the long run, they will lead either to a change or to the destruction of the seller. These conditions, which are established as a basis for the making of sales and the handling of sales transactions, are called "sales policies." The sales policy is a defined course of action determined by the house for the purpose of securing uniformity of procedure under substantially similar and recurrent circumstances. It aims to provide a uniform course of action, so that the personal sales representative in the field may know exactly how a particular situation will be handled while the policy is in force; and so that there may be no misunderstanding on the part of the buyer as well as on the part of the salesman. Policies should be established on the basis of careful study. It frequently happens that the policies which come to the attention of the salesman interfere with some freedom of action which he might desire to possess, but he must remember that they usually are the result of a process of growth,

frequently of a long period of trial and experiment. It is true that policies may become antiquated; that is, they may survive the conditions which made them suitable. Then the policies should be changed to bring them into conformity with the changed circumstances.

The policies which are important from the view-point of the salesman are those relating to the product, comprising policies relating to the type of product which the company sells, to the guaranty of that product, service, and identification through brand or trade-mark; the policy of the company toward various types of middlemen (retailers, wholesalers, and so forth); policies relating to price; and lastly, policies dealing with relations to buyers and customers. These policies are numerous and many of them difficult to determine correctly and more difficult to enforce. Nevertheless, any policies, to be successful, must be adhered to. The salesman, therefore, should not logically expect the company to deviate from a well-established policy, provided the policy has been adopted as a result of careful study and provided it is judiciously applied. There are occasions where exceptions must be made to any general policy, but these exceptions should be made only in emergencies where the common-sense method, viewing matters from the long-run point of view, is that of departure from the rule.

Sales policies may be determined by the chief executives of the company. While the more important policies are usually so established, the sales manager determines frequently the detailed policies which are necessary for carrying out the broader outlines of policy imposed by his administrative officers. In the last analysis, however, the policies are determined in no small measure by business experience. Custom plays a large part in determining what sales policies a new firm, for example, can adopt. If decisions should be made as occasion arises, on the merits of each case, the result would be not only a waste of time and energy, but a lack of uniformity in the treatment of customers.

PRODUCT POLICIES

The policies relating to the product which is to be sold are of particular importance in personal selling, because the result of those policies determines not only the type of product which the salesman is to sell, but also many of the selling points which are to be used in effecting his sales.

1. The first general policy, then, which is of interest to the salesman, is that concerning the types of product which the company manufactures or sells. They may be luxuries or necessities, simple or complex, staples or specialties. The policies of a company with reference to changing the product to meet changes in demand, or with reference to research in order to keep the product up to standard both in quality and in design, all furnish selling material for the salesman in his effort to satisfy wants by selling his product.

2. Salesmen should know that there is justification for manufacturing low-grade as well as high-grade products. The policy regarding quality of goods sold is one which should be thoroughly understood by the salesman. If the firm for which he works produces or sells a high-grade line of goods at correspondingly high prices, it is thereby catering to one type of market, while another company may manufacture a lower grade of product, using less expensive raw material, less expensive workmanship, and the like, for the purpose of making that product available to a different class of buyers. Both perform a service for the public. The policy of the company may be to handle several qualities of the same line. If that is the case, the salesman must know the differences in quality and understand the reasons for handling several lines. In manufacturing processes it is not unusual for two or more grades to result from the same manufacturing process, the products which are free from imperfections falling into the first-quality group and others falling into other groups according to the degree of imperfection. The market for "seconds" (imperfect goods) exists,

but it is a market which is approached in a somewhat different way from the market for first-quality goods.

3. A third product policy of particular interest to salesmen in certain lines is that concerning style. The salesman for women's clothing may find that the policy of his house with regard to style and the success of his house in following that policy furnish him with some of his strongest selling arguments. On the other hand, the shoe salesman may be traveling for a company which caters only very slightly to style tendencies, preferring to secure the additional economies which come from standardization, selling its shoes at a lower price, and increasing its sales in that way rather than by following the policy of other manufacturers who use the style elements as a means of attracting additional sales.

4. In the industrial field one will also find a diversity of policies regarding the number of sizes, models, and types of products purchased or sold. The policy of standardization will be advocated and carried through by one company, with the result that the salesmen must sell only the standardized sizes and models. Another manufacturer may allow the salesmen to take special orders for variations of standard models and sizes. The first salesman, however, has the argument of ease of replacement and lower cost to offset the second salesman's argument that the product is manufactured to the order of the buyer, the latter involving a higher cost which should be passed on to the purchaser but which sometimes is not. There is a definite tendency toward simplification of lines and standardization in those types of industry in which individuality and personal preferences need not, and probably should not, be allowed expression.

The wholesaler has also his problems of policy with reference to the addition of new products to his line. The wholesale grocer, the wholesale hardware merchant, the wholesale dry-goods house are constantly beset by representatives of manufacturers urging them to carry new lines of goods. They cannot carry all the lines of goods of all manufac-

turers. They must, therefore, make a choice. That choice may be made on the basis of a policy of maintaining a first-class staple line and refraining from handling goods in which the style element is important and which increases the risk. Or they may adopt the opposite policy of constantly adding new items, novelties, and fads. A compromise is the common solution.

5. The salesman representing a reputable firm goes out with the knowledge that his employer will stand back of the goods he sells, provided the salesman does not misrepresent them. For most types of goods there is an implied guaranty that such service will be secured from the goods as might reasonably be expected from them. There are distinct limits to this implied warranty, but still it is understood ordinarily that a reputable house will deliver goods as represented, and that they will act as represented, unless there is an expressed statement to the contrary.

Nevertheless, the written or verbal guaranty has a distinct influence on the sale under certain conditions. The policy has been adopted by some firms of providing a guaranty, either limited or unlimited, which the salesman may use as a selling argument. The limited guaranty, the guaranty with a definite limit of time and limit to specific features of a product, is, of course, less satisfactory as a selling point than an unlimited guaranty of "full satisfaction or money refunded." Whether or not a company will use the guaranty depends, first, upon the practice of the trade. In the automobile industry the salesman would find it very difficult indeed to sell the car unless at least the standard trade guaranty against defects in workmanship and material was made one of his selling points. On the other hand, in certain trades, where there may be fully as much reason for guaranty, the custom has never grown up, and consequently the implied warranty is considered sufficient. In the second place, the type of product will have much to do with the adoption of the guaranty policy. For some types of product,

the consumer can only with great difficulty appraise the goods at the time of purchase. The consumer cannot appraise a complicated machine or automobile and cannot appraise the materials in clothing with a degree of accuracy which would be desirable. Professional buyers have their own methods of determining the quality, but even they frequently appreciate the guaranty that the goods delivered will conform to the specifications. A third reason why houses issue guaranties may lie in the danger of perishability or deterioration of quality to which some goods are subject. The salesman who is selling candy, yeast, or breakfast food, may find it a very important selling point to be able to show a definite guaranty of the quality of his product with provision for liberal replacement in case of deterioration through delay in delivery, or even in case of delay in sale by the retailer or wholesaler. The manufacturer realizes that the customer, who purchases a box of stale candy, for example, is inclined to blame the manufacturer rather than the dealer for its condition.

The guaranty may possess considerable selling force, but it is subject to abuses on the part of customers. The misunderstandings which customers have regarding guaranties tend to make the guaranty policy a very expensive one for some firms. The greatest selling value lies in the unqualified guaranty, but that is precisely the type of guaranty which is subject to most abuse. Furthermore, unless the guaranty is backed up by a reputable house, it may prove to be of negative value. The guaranty is so often used and has so often been carelessly given that it may prove a boomerang unless there is definite evidence that the company can and will stand back of its word.

6. The service policy of the company, particularly relating to the service required to keep the product in such condition as to furnish the utilities promised for it and expected of it by the customer, has a very direct bearing on the work of the salesman. It is not sufficient for the manufacturer

of automobiles, textile dye-stuffs, dictating machines, and other more or less complicated products to lose interest in the products sold as soon as they have been paid for. Such manufacturers find it necessary to provide organizations not only for the sale of the product, but also for the maintenance of those already sold in such shape as to give the service which users reasonably expect. The salesman is definitely interested in such service, because its purposes to create good-will, and keep the goods sold, directly affect continued success in selling. In fact, an unsatisfactory service policy may make it most difficult for the salesman to make sales, even if the product is a meritorious one. For instance, if an automobile manufacturer maintains a branch in which the service given is unsatisfactory and employees are discourteous, the salesmen selling that particular make of car will have a more difficult task than they would have otherwise. A company manufacturing a technical product, which does not provide directly or indirectly for the continued operation of its machines or the continued satisfactory use of its product, encounters an increased selling resistance, which decreases the salesman's enthusiasm and satisfaction in his work.

7. A salesman will frequently come in contact with brand and trade-mark policies of his firm. If he is selling the product of a manufacturer, he will usually find that trade-marks or brands identify his goods and may give him a very important selling point. If he is selling products at wholesale, both manufacturers' brands and the wholesaler's brands will demand his attention. The primary purpose of brands and trade-marks is that of furnishing a means of identification, so that repeat demand may be centered upon the product when use has resulted in satisfaction and good-will. The salesman is interested in having his product identified, because then he is more definitely assured that the results of his efforts will accrue to his advantage rather than to goods manufactured by competitors. The brand-

ing of a product is frequently connected with packaging, in the development of more attractive containers, which tend to increase sales. The value of brand names as represented by balance-sheets may run into the millions.¹

The policies with regard to brand which a company must decide upon and in which the salesman is interested are, briefly: (1) whether to brand a product or not; (2) whether two qualities of the same product should be manufactured under the same brand; (3) whether there should be more than one brand for the same quality; and (4) whether one brand should be used for several products as a family brand. All of them have an influence upon the selling arguments which the salesman may utilize. The use of the same brand for two qualities enables greater advertising and selling effort to be expended upon the one brand, but, on the other hand, may lead to confusion on the part of consumers and dealers, in such a way as to attribute the qualities of the inferior grade to the superior grade. Likewise, in the family brands there is economy in advertising and in pushing the single as compared with the many brands. Such manufacturers as Libby, McNeill, and Libby, the Beech-Nut Packing Company, Reid, Murdoch and Company, and

¹The following figures are either on the books of the companies manufacturing the products listed below or have been given by some responsible executive, as conservative valuations of trade names, or good-will resulting from the use of trade names:

Gold Dust and Fairy Soap.....	\$10,000,000
Bull Durham tobacco	10,000,000
Camel cigarettes	10,000,000
Sunkist oranges	10,000,000
Quaker Oats	9,000,000
Royal baking powder	8,000,000
Coca Cola	5,000,000
Onyx hosiery	1,500,000
Gorham silverware	1,200,000
Baker cocoa and chocolate	1,000,000

A valuation of \$1,000,000 a letter has been placed upon the trade names Ivory (soap), Victrola, Kodak, and Uneda.

The following book valuations of good-will are largely the result of the popularity of trade names or firm names:

American Tobacco Company	\$45,000,000
F. W. Woolworth Company	30,000,000
United Cigar Stores	21,400,000
P. Lorillard Company	21,000,000
Cluett, Peabody	18,000,000
American Chiclé Company	8,766,099

Armour and Company have developed a single brand, which is used for a large variety of products. The danger, if there is any, lies in dissipation of effort and in the effect of advertising, because it becomes related to no particular product but to an indefinite group. The use of two brands for the same quality is considered successful by some companies, particularly where the custom of the trade is that of granting exclusive agencies to dealers. Experience has shown that it is practically impossible to get all the dealers in a small community to handle the products of a single manufacturer, of, say rubber shoes or rubber tires, particularly where only one brand is used. However, it is not infrequently possible to sell a larger proportion of those distributors if different brands can be furnished them. There are a number of problems, however, which must be met before such practice can be put into operation successfully.

The wholesaler's salesman comes in contact with the private-brand problems just as does the specialty salesman, who attempts to sell his products in competition with the private brand of some wholesaler. The manufacturer opposes the private brand because the wholesaler has control of that brand and the manufacturer does not secure the control of the consumer demand which he desires. In the private brand, repeat orders center upon the dealer or wholesaler rather than upon any particular manufacturer.

The jobber, on the other hand, feels that the manufacturer is using him to build up trade and, sooner or later, many manufacturers will go direct to the retailer, thus entirely eliminating the jobber or wholesaler. Furthermore, the jobber actually or apparently secures a larger profit from the private brand and may prefer it, because of the tendency for manufacturers to cut wholesale discounts to a minimum. Nevertheless, the private brands of some jobbers are considerably more important than some manufacturers' brands, and the jobber is justified in maintaining them, particularly when he must use several sources of supply in order to secure a sufficient amount of the product to

supply his trade. The small manufacturer, on the other hand, may produce an amount insufficient to pay him to advertise or even develop consumer demand for his product. Many jobbers, who handle private brands, have started to manufacture, and have, therefore, become manufacturing jobbers rather than merely merchandising jobbers. Department stores also attach a good deal of importance to "store" brands, and for shopping goods are much more interested in their own private brands, as a rule, than in manufacturers' brands.

DISTRIBUTION POLICIES

The distribution policies of a company have to do particularly with the selection of channels through which goods are to be distributed to consumers, and are of particular interest to those engaged in personal selling for two reasons. First, because those policies determine the classes of customers to whom sales are to be made by those engaged in personal selling. Second, because they should reflect the definite policy of the house which the salesman may be called upon to explain and defend at any time. The purpose of distribution policies is, of course, to facilitate distribution through such channels as exist or may be created, in such a way as to develop the greatest continued profit and eventually the most economical form of distribution. Theoretically, the manufacturer makes his choice among existing channels of distribution upon the basis of the specific circumstances and environment with which he has to deal. The wholesaler may decide to have his salesmen sell directly to large consumers or to confine sales entirely to retailers.

The factors which are important in the determination of distribution policy are connected, first of all, with the nature of the product which is to be distributed. In part, this determines whether ultimate consumers in large numbers are to be reached, possibly through middlemen, or whether there will be few users whose locations can be very definitely

ascertained and who can be reached directly. The type of product determines, in many other cases, whether the goods are to be sold in large lots, perhaps for the use of few manufacturers, or whether they are to be sold in small numbers to ultimate consumers all over this country and perhaps over the entire world. Existing trade organization constitutes the second factor in the distribution policy. The existence of a smooth working system of middlemen tends to force a company to take unusual risks if it departs from the use of customary channels. In the third place, peculiar circumstances of the individual company will have effect upon the choice made between the alternative distribution policies. It is evident that the company in limited financial circumstances cannot undertake to develop an extensive sales organization for the purpose of selling direct to retailers or consumers. The policy of competitors will have some influence. The desire to control the consumer's market and the desire not to be dependent on middlemen whose interests may run contrary to the manufacturer have been important reasons for the adoption by manufacturers of short-cuts to consumers, even at great expense and greatly increased risks. Lastly, in the individual company the personal preference of executives, the circumstances under which the company was founded and was developed, may all play a part in the determination of distribution policies.

The distribution policies which a manufacturer may adopt and which will determine classes of buyers to whom a salesman is to sell may be briefly enumerated according to the channels through which the goods pass in reaching the consumer, as:

1. Sales direct to consumers either by mail, by personal solicitation, or through branch stores.

2. Sales to retailers or other middlemen, who customarily deal with the ultimate purchaser. Here, also, the distribution to retailers or dealers may be made through branch stores by means of personal solicitation or by mail, advertising, or correspondence.

3. Sales to wholesalers or jobbers. In some cases branch stores or warehouses are utilized likewise for this form of distribution, but more often personal solicitation and correspondence are the methods used in the execution of this policy.

4. Sales through agencies which customarily deal with the wholesaler or the jobber. These agencies include manufacturers' agents, brokers, factors, purchasing agents, selling houses, and other variations.

5. Sales through two or more of the above channels at the same time, adopting two or three or more methods of selling through the same channels or through different channels.

1. *Selling direct to consumer.* The retail salesman always sells to the consumer. The wholesale salesman will frequently sell to the consumer if he sells a product which is used as equipment by the retailer or is used by manufacturers or large institutions or buyers. The manufacturer, through a system of branches, may likewise sell to consumers or may use a system of canvassing. Generally, for manufactured goods having wide distribution and goods which are used by a large number of persons, there are three direct methods of distributing: (a) The first is that of establishing through various forms of advertising a demand which is handled by direct-mail methods. Such a method has been successful only in unusual cases and presents very great difficulties. (b) The second method of selling direct to the consumer is that of selling through salesmen or agents in house-to-house canvass. The Fuller Brush Company maintains several thousand salesmen and an elaborate sales organization for the purpose of selling brushes in this manner. The Aluminum Cooking Utensils Company and the Real Silk Hosiery Company have adopted the same general policy for part or all of their lines. These firms have been very successful in developing direct-to-consumer selling, and they look upon their distribution policy as necessary in order to obtain the volume of sales which is desired.

Their salesmen are generally paid on a commission basis. The method is attracting a great deal of attention at the present time and many other manufacturers are considering adopting it. Intangibles, such as insurance, novelties, or new products of a luxury type, for which demand must be created by demonstration, or articles requiring large outlay on the part of the buyer, may continue to require active consumer solicitation. But much care and effort will be required to develop contacts prior to canvass, if the policy is to be effective. (c) The third method by which the manufacturer may sell to the consumer is through his own branches or his own retail stores. Where the branches are retail stores of the customary type, there is little difference from independent stores except in control. Some of the manufacturers of shoes who have established their own stores treat their branch stores as independent enterprises, their performance being rated as independent retail stores.

The primary argument for direct-to-consumer distribution for articles used by householders is that the consumer is brought nearer to the manufacturer, and it is much more likely that the manufacturer will maintain his place in the consumer market. No middleman whose interests may be divergent and different from those of the manufacturer intervenes to decrease the force of other sales effort of the manufacturer. He is able to carry out policies without the opposition that may result if he must be dependent upon some second individual. The manufacturer's salesman can concentrate upon his own line of products. Otherwise he must depend upon the middleman using more than a reasonable proportion of his time, if his goods are to be successfully sold. An extremely large organization of canvassers must be maintained if an attempt is made to cover thoroughly a large market.

Semimanufactured goods, raw materials, technical, office, or industrial equipment, goods which are sold only to a limited number of users ordinarily require salesmanship of a higher type, which is more highly remunerated than

similar selling of other products in house-to-house canvass. Machinery for use in manufacturing is frequently sold direct by large manufacturing enterprises specializing in this machinery, or sometimes to dealers or supply houses who cater to the requirements of manufacturers in a limited territory. For instance, a manufacturer of textile machinery may adopt the policy of selling through his own branch houses in textile manufacturing centers, sending salesmen from headquarters or branches to the prospective users in the territory.¹

The wholesaler ordinarily does not sell direct to the consumer, but to the retailer; yet there are problems of policy in selling to consumers which every wholesaler has to decide and which vitally affect the work of the salesman. The salesman for a grocery wholesaler must know whether the policy of the firm is to sell or to refrain from selling to hotels and larger consumers of grocery products, when they ask for wholesale prices and terms. The salesman will have to meet the objections of the retailer who asserts that the wholesaler ought not to sell to consumers but only to retailers. No general rule prevails in the various wholesale trades, though at least nominally many houses refuse to

¹ A road machinery company sells all of its product direct to the user through branch offices. A manufacturer of tractors and farm machinery sells through its own branch houses direct to consumers in the corn belt; in all the other territory of the United States it sells through dealers. A baking and confectionery machinery product is sold to order from the description of its agent, no selling force being employed. A company manufacturing fiber shipping containers, doing a \$6,000,000 annual business, carries no stock, its salesmen selling only direct to car-lot users. A crane and hoist company makes all sales direct to users through its branch offices located in important industrial centers. Castings for railway companies are sold by five salesmen to railroads. A gasoline motor producer sells only to legitimate manufacturers of passenger cars and trucks. The salesmen of a manufacturer of an accessory device, which must be used in connection with some other larger product, must ordinarily sell direct to the type of manufacturer who furnishes a market for this accessory. The manufacturer or large buyer who contemplates the purchase of a very considerable amount of a product to be used in production usually desires to deal direct with the producer. Contracts of tire companies with fabric manufacturers may be made direct with the manufacturer, unless it appears that in the open market arrangements can be made to better advantage. Contracts for such a product are made only after tests and approval by engineers and by the purchasing department.

sell to any but retail establishments. It is expected that such a policy will prove profitable because retailers will buy from the house which refuses to sell to consumers—the logical customers of the retailer. But this loyalty is often demonstrated only by words, not by purchases, and the wholesaler finds that refusing to sell to large consumers may merely lose that business for him without any compensating increase in purchases by retailers. The large buyer frequently is not a logical customer, or would not be a customer of a local retailer when larger purchases upon which he can expect wholesale prices are involved.

2. *Selling to retailers.* The second type of policy in distributing to the consumer is that in which the manufacturer sells to retailers, who in turn sell to consumers. Differences between markets and products are reflected in the number of retailers which must be handled in the distribution in any line. The number of machine tool dealers is small compared to the number of retail grocers. In the one there may be a few hundred—in the other there are about 400,000.

The manufacturer sells to the retailer because this policy offers certain advantages which are not offered by the policy of selling through wholesalers. First, direct sale to retailers offers the manufacturer a greater proximity to the consumer market than if he were to sell to the wholesaler, since only the one step is interposed between the manufacturer and the consumer. It is possible for the manufacturer to secure the cooperation of the retailer and make his advertising more effective and to check up carefully the distribution of his goods among retailers, to determine whether or not goods advertised are available to those among whom demand is created. In selling through wholesalers, it is difficult, sometimes impossible, to determine the exact extent of the distribution of his product. Wholesalers are not willing in many cases to give names of all the customers for a particular advertised product; furthermore, the records necessary to give all manufacturers that information would be unprofitable from the point of view of the wholesaler.

Sale through the wholesaler implies logically that only a small part of the time of the jobber salesman is spent upon products of any particular manufacturer. The manufacturer who sells direct to retailers can devote his whole time to the line. More intensive selling effort applied to retailers is, therefore, the great advantage of sale direct to retailers as compared to selling to middlemen, who in turn would sell to retailers. At the best, the wholesaler can afford to spend only a limited amount of time in pushing any one product. At the other extreme, he may refuse to handle a product and devote all his sales effort to pushing his own private brands, or push the products of some other manufacturer.

The prime objections to sale direct to retailers in many lines are the large organization and large costs of such distribution. The capital requirements for a direct sale to retailers are very much larger than those for sale through wholesalers. Among middlemen, the wholesaler is ordinarily the strongest financially. As a consequence, with his financial support removed, the manufacturer must assume the financial burden of extending credit to retailers, maintaining stock at convenient points, and providing the organization for solicitation of large numbers of small orders which have to be filled in such a way as to give satisfaction equal to or greater than that offered by the conveniently located jobber. It is obvious, therefore, that only the concern which sells goods with a wide demand and a wide potential market—goods in which either the volume of sales or the margin is large—can utilize the direct method in the major trades. In narrow and limited fields, where the number of dealers is few, it may be possible for even the smaller manufacturer to adopt the policy of distribution to retailers. In grocery, dry-goods, hardware, and other lines, however, the adoption of such a policy involves the creation of a large organization and the assumption of financial risks which the majority of firms are unwilling to undertake, even though they feel that the jobber's margin allowed by them would offset the additional cost.

Another series of problems which involve distribution policies upon which the salesman must be informed is that regarding direct sale to the newer types of retailers, such as chain stores, department stores, mail-order houses, and cooperative buying associations. Such retailers buy frequently in as large quantities as many jobbers, not infrequently in much larger quantities than local jobbers. As a consequence, they almost invariably demand jobbers' discounts. In favor of sale to such retailers are several arguments—first, that purchases are made in larger lots, generally speaking, and are, therefore, easier to handle. However, not infrequently, the actual purchases of a department of a department store are no larger than the purchases of many specialty stores. Second, the average credit for newer types of retailers is better than the average credit for the unit retailer, both because of size and better management. In the third place, chain stores and mail-order houses often show much larger volume of sales in particular products than independent retailers. Finally, there is the smaller cost of making sales, since a sale to the buyer for a chain store means sales to a large number of individual stores.

Against the policy of selling direct to newer types of retailers is, first of all, the important opposition of the regular types of retailers or the unit stores. Independent stores are much in the majority from the standpoint of number, total sales, and customers. The older types of retail stores object in no small measure to the sale to department stores, chain stores, and mail-order houses, particularly if such stores are given larger discounts than the unit stores. In the second place, the advantage of selling to the newer types of retailers is in part offset by the fact that lower prices must be quoted, thus reducing the margin of profit and absorbing some, if not all, of the savings which accrue from selling in larger quantities. Furthermore, it is much more difficult to sell orders for large quantities, competition being more intense for the patronage of such businesses. Lastly, a salesman who confines any considerable proportion

of his sales to a few customers incurs greater risk in the threat of cancelations of contracts or shift of custom from one firm to another, as a means of exerting pressure for lower prices. This constitutes a very real objection to allowing an undue proportion of sales to become concentrated in the hands of a few customers.

3. *Distribution through wholesalers.* The traditional distribution policy of manufacturers is that involving sale through wholesalers or jobbers, who in turn sell to the retailer. The advantages of selling through the wholesaler can be briefly enumerated—first, the sales organization and sales effort required to sell to wholesalers are very much less in a given territory than in sale direct to retailers, since the wholesaler aims to perform many of the marketing functions in sale to retailers which would, under the direct sales policy, have to be performed by the manufacturer himself. He is usually the strongest financial link in the chain of distributors. He is accustomed to paying for his purchase within short credit periods, while at the same time he extends more liberal terms to retailers. Thus, in one sense he finances the manufacturer, on the one hand, and the retailer, on the other. The wholesaler, furthermore, to perform his function must, as a rule, be located at a convenient point with reference to his markets.

The manufacturer, therefore, sells to the wholesaler because he believes that under the circumstances which prevail in his line and in his business he can distribute more effectively, and reach larger numbers of retailers and consumers, at less risk, than by any other method.

4. *Selling through agencies between manufacturer and wholesaler.* In certain trades, particularly in the cotton textiles and in certain branches of the tool and hardware trade, the manufacturer sells to middlemen who occupy a position between that of the wholesaler and that of the manufacturer. Commission houses are common in the cotton, woolen, and silk goods trade and are found to a certain ex-

tent in hosiery and notions. Manufacturers' agencies are common in the grocery and hardware trade, and brokers are important particularly in the sale of canned goods, fruits, and flour in the grocery trade. These manufacturers' agents also sometimes maintain forces of salesmen who sell to wholesalers, although, like other manufacturers, they may send salesmen to retailers whose orders are to be filled by the wholesaler.

These agencies usually take over the selling function for the manufacturer. Manufacturers' agents contract to sell a product in a defined territory under certain conditions, usually to wholesalers, though more and more frequently they reach retailers through "missionary" salesmen. The salesman is primarily interested in manufacturers' agents, brokers, and factors as prospective employers of salesmen.

5. The salesman's problems in understanding and convincing buyers of the wisdom of a particular selling policy usually arise when the attempt is made to sell to diverse types of middlemen, whose interests are really or apparently competitive. The wholesaler objects to buying from a manufacturer who sells to retailers, unless steps are taken to assure the wholesaler a profit on such sales; the retailer objects to direct selling because he likewise regards such selling as encroachment upon his field.

EXCLUSIVE-AGENCY POLICY

The salesman in approaching the wholesalers and dealers with a new line of goods or with a line of goods which is not already handled by the retailer or wholesaler will frequently be asked for an exclusive agency for the product as a condition of purchase, particularly if other competing companies offer such an agency. It becomes difficult for the salesman to refuse and to give adequate reason for his refusal if he is forbidden by his house to grant exclusive-agency rights. They may be demanded by the dealer for various reasons. He may wish to have the exclusive agency for any goods,

to compel prospective purchasers for those goods to come to him. If the goods are widely advertised, if they are well and favorably known, the handling of the goods may be profitable, and the exclusive agency may give prestige to the dealer, and may help bring in patrons who will often make other purchases. The dealer, furthermore, is not obliged to cut prices, because he is free from competition on the same brand or on the same product. In short, the exclusive agency is considered desirable by many dealers because it makes for a more comfortable feeling—a feeling of security against competition.

On the other hand, the dealer may become too dependent upon the manufacturer if the line is well and exclusively known and the dealer becomes so closely identified with it that the dealer's trade depends solely upon it. Furthermore, just as there is danger that the manufacturer may take away the exclusive agency as soon as demand has been completed, there is danger that the dealer may throw up the exclusive agency and destroy the manufacturer's business in the community for a time. The latter danger is likely to be greater than the former. Furthermore, the contract which may be required for an exclusive agency may often be more favorable to the manufacturer than to the dealer. More serious objection, from the view-point of the manufacturer, is that the lack of competition tends to make the merchant feel so secure that he does not exert himself to create a demand for the company's products. The main reason for the manufacturer's favoring an exclusive agency, however, usually is the desirability of the exclusive agency as an inducement to get the interest and attention of the dealer, which could not be gotten in any other way. Of course, it prevents price-cutting, and some prestige is added to the product if a good exclusive dealer is secured.

The most important objection to an exclusive-agency policy is that unless it is absolutely necessary to break into a market, it tends not only to reduce total sales in a community, but even the sales of the particular store which

possesses the agency. An exclusive agency granted to one company may cause competitors who have been boosters to become knockers. The most important reason, however, is the fact that no one dealer comes in contact, in any sizable community, with all of the prospective buyers of the product. Each dealer is a center of buying influence, and, therefore, the selection of one dealer tends to eliminate some selling influence of this product from a considerable portion of the community. The experience of many companies after the discontinuance of exclusive agencies illustrates the truth of the statement that under ordinary conditions an exclusive agency tends to restrict sales; the advantage of securing greater effort on the part of the individual dealer which will offset the restriction of influence is largely an illusion.¹

PRICE POLICIES

Every sale which the salesman makes involves the exchange of goods or services for money.² The salesman sells

¹ See *Harvard Business Review*, Vol. III, p. 496. The basic considerations involved in the use of exclusive agencies in the retail field are there summarized briefly as follows:

1. Exclusive agencies, under usual conditions, should not be used in the marketing of convenience goods. These are goods which the consumer normally buys at the nearest store, and it is therefore important that they be distributed through a large number of dealers.

2. Shopping goods ordinarily are not sold effectively on an exclusive-agency basis. The purchaser wishes to make comparison as to quality, style, and price, in goods of this type; the purchase frequently is not made in the first store visited. If such merchandising may be had in several stores, the probability of sale is increased.

3. The exclusive-agency plan particularly adapts itself to the merchandising of specialty goods. Purchases of this class of goods are made because of the reputation of the goods themselves, or of the dealer. A restriction in the number of retail distributors does not decrease the volume of sales. On the contrary, it assures the manufacturer of aggressive selling that would not be possible if distribution were general.

4. Where a large stock investment in the goods of one manufacturer is required, the exclusive-agency plan is probably necessary, regardless of the type of goods sold.

5. If the retailers are expected to bear a portion of the burden of advertising, and to build good-will for the product of a certain manufacturer through other aggressive sales methods, it is usually necessary to give the protection afforded by the exclusive agency.

6. In the case of specialty goods, where the unit of sale is small, it is frequently advisable to use selected dealers rather than an exclusive-agency plan.

7. Where a product is nationally advertised by the manufacturer in an effort to create a demand on the part of the consuming public generally, the restricted distribution given by exclusive agencies may result in a smaller total volume of sales than would one given to a larger number of dealers.

² It is true that occasionally the sale may involve the exchange of new goods for previously used goods or possibly of barter, but these do not affect the general statement, since values are expressed in terms of money.

his goods and his house as the desirable source of supply, at a price. It is true that he may stress quality, service, or price, but all elements are involved in any sale. The essential nature of the transactions is the same whether the customer is induced to pay for high quality at correspondingly high price or for low quality at correspondingly low price. It is frequently good sales tactics to get the full impression of the quality of a product or the service offered with a product to the consumer or the prospective purchaser before taking up the question of price, but the salesman must not forget that all three elements are involved in every sale. Price is looked upon by many salesmen as a stumbling-block. It should not be so regarded. It is a part of the transaction which must be studied from the view-point of obtaining an understanding, not from the view-point of providing methods of overlooking it. The price policies of the house determine some of the conditions under which the house will deliver the goods which the salesman is trying to sell. It is important, therefore, that salesmen should understand the types of price policies, the reasons for them, and the objections which they may encounter in presenting those policies to their buyers.

1. *The level of prices.* The first policy in which the salesman is interested, and which he meets when he is attempting to effect a sale, is that of the level of his prices, both absolutely, and in relation to the level of prices of competing goods. On the one hand, the manufacturer must sell his goods at a price which will yield a profit, if he wishes to continue in business; on the other hand, he must recognize competitive prices of others, if he is to make sales. Three types of policies may be adopted by the company which desires its goods to be sold by salesmen. The company may make it a policy to sell its goods at "market price," meeting competition so far as it can, and generally lowering or raising its prices in accordance with the market in the locality in which sales are being made. Where goods are directly comparable, or where goods are exactly similar to those being

sold by competitors, this policy is the only one which can be pursued. The wholesale grocer must sell his staple goods at market prices. The manufacturer of the staple standardized products, who has real competition, must likewise sell his product at market prices, if he is to continue to get business.

A second policy which may be adopted is that of selling a product at something above the market price, justifying the difference by identifying the product by more careful inspection and selection, by giving really or only apparently a higher quality or greater assurance of quality. This policy, which may be called the "market plus" policy,¹ has been adopted by many companies manufacturing specialties. It would seem that from the view-point of the salesman it would be impossible to sell such goods. But it must be remembered that for many goods there are no direct competitors; for many, it is difficult to make direct and complete comparisons of quality. Goods sold at "market plus" prices are frequently widely advertised, a fact which tends to reduce relatively the amount of resistance the salesman encounters in his work. Furthermore, it is clear that in dependability of quality, uniformity of quality and of service, there is warrant for somewhat higher prices than for goods that are not of such high quality, or for goods which require a greater selling effort.

Articles which are produced under patents are likewise sold at what amount to "market plus" prices in many cases; such prices are really monopoly prices. But here, as in other cases, where the element of monopoly control enters, the price level adopted by the manufacturer may be at market or even lower, because he realizes that the total net profit from a large volume of sales at a very small unit of profit may aggregate considerably more than the profit obtained from the sale of fewer articles with a very wide margin of profit.

¹ Shaw, A. W., *An Approach to Business Problems*, Harvard University Press, Cambridge, 1916, p. 236.

Finally, the "market minus" price policy, which is the term used to indicate a policy of fixing prices below market levels, is one which is rarely used but which, if it can be used profitably and consistently, is indicative of an extremely strong and economical production and distribution. The logical outcome of the policy is an increasing share of the market. The salesman who goes out to sell a proposition in which there is competition and who has the advantage of being able to sell at a lower price than his competitors and to keep it up while the rest of his sales proposition is equivalent to those of competitors, is in a most advantageous position. Such a company is in a position to fill consumers' wants at a smaller cost to consumers than other companies. However, in most cases sales propositions are not equal; occasional price-cutting does not indicate the adoption of such a price policy. Nor does chronic price-cutting extending to all the goods sold necessarily indicate an advantageous adoption of "market minus" policies, unless it can be kept up at a profit. Prices are not infrequently cut to relieve a temporary situation; some firms do not know costs; while still others cut some prices and recoup on others as a regular policy.

The problems in fixing a level of prices are not confined to the initial pricing of the product. The salesman encounters price-cutting, and wonders whether his prices are correct. The salesman must remember, at such times, that the price quoted is only part of the transaction. Price must be considered in relation to the quality of goods, the use which may be obtained from them, the dependability of source of supply, before the prices can be considered relatively high or low, and the service rendered. In a fluctuating market, it may be unwise and impossible for a house always to have a price level which is the same as that of every competitor. In a period of rising prices, the house must decide whether it will advance prices rapidly as the market advances, in order to build up a reserve for losses during a period of declining prices. In a period of declining

prices, the house must consider many factors before slashing the prices of goods. If it cuts prices rapidly, it may lose a great deal or cause great losses in its inventories or those of its buyers; if it cuts slowly, it cannot help its customers get back to a normal level. Courage and judgment on the part of those having to do with prices are especially required in adjusting prices to the various stages of business prosperity and depression, usually termed the business cycle.

2. *Geographical equalization of prices.* If concerns insist upon uniform resale prices for their products, they must provide for approximately uniform costs to buyers. That frequently develops into the practice of shipping goods at delivered prices. While with most manufactured goods the prices are quoted f.o.b. point of shipment, many of the less bulky articles are shipped f.o.b. destination. Because of determined opposition, the basing-point plan in the steel trade has been abolished by court order.

Whenever uniform resale prices are expected, it may be necessary to establish zone prices, that is, selling prices which vary according to the zone in which delivery is to be made. It is not an infrequent occurrence for a company to fix one price for the territory west of the Rockies and another for eastern United States, higher delivery costs to the coast being the justification.

3. *Uniformity of selling prices.* The question of the uniformity of selling prices used to be more of a problem than it is today. The old policy was that of getting as high a price as possible for the goods sold. Each sale was the result of bargaining, and the prices at which goods were sold were the net results of the shrewdness of the buyer and the sales ability of the seller. It developed, therefore, that where sales were made to several merchants in a city, one might be paying considerably more for his goods than another. Whenever this was discovered by the merchant who had paid more, there was reason for complaint, and the basis was laid for a considerable amount of friction and

for the loss of good-will which may have been built up with very considerable effort. Furthermore, the weaker salesman might sell most of his goods at the lowest prices at which he was permitted to sell, thus reducing the profit upon his sales to less than was necessary for the normal conduct of business.

In the retail trade, this practice of varying prices between customers has been eliminated by all the better stores. While it still persists in certain smaller stores, it is a fair statement to say that it is the exception rather than the rule. On the other hand, the practice continues to a very large extent in the wholesale trades. Few enterprises have been willing to discontinue the practice, although some of its evils are recognized. The pressure of competition, the desire of the buyer to get concessions, ignorance of market conditions, are in part responsible for its survival in this field.

It is difficult to say that the multi-price policy so common in the wholesale trade will disappear rapidly. There are still many companies which feel that they are justified, because of differences in credit and in risk, in charging different prices or in leaving leeway to their salesmen to vary prices among dealers of the same class.¹

4. *Trade discounts.* In the hardware, furniture, and other lines it is a common practice to quote prices which are not the actual selling prices, but which yield information only by the subtraction of certain discounts. A common method is that of making the list prices considerably larger than the selling prices and giving the buyer a reduc-

¹ It is significant, however, that the examination of the records of salesmen in a wholesale grocery house of which the writer has knowledge showed no correlation of price-cutting with dealers or products, but with salesmen. In other words, price-cutting is chronically resorted to by some salesmen, while other salesmen are practically free of the practice, although they are given the same power to make changes in prices when they think it necessary. It might be expected that in certain territories in which competition was keen, price-cutting would be prevalent. But the records seem to indicate that the slashing of prices was the result of poor salesmanship, or the failure of the salesman to have any other resource, such as an adequate knowledge of his goods or of his customer.

tion or discount depending upon various factors. There are two reasons for list prices—first, with list prices it is much easier to indicate a change in prices of a number of sizes. For the concern issuing a comprehensive catalog it facilitates the statement of an increase or decrease in its prices through the preparation of a supplementary list of discounts. It is much more convenient, therefore, for the wholesaler to notify his salesmen and for salesmen to tell prospective buyers that discounts upon certain classes of goods have increased or decreased than to give a long series of new net prices. The second advantage claimed for list prices is that competitors cannot so easily learn the prices of the products. If net prices are quoted, it is a very simple matter to look into the catalog and find out the price. If list prices are quoted, it means that one must likewise get the discount list, which can be more easily kept confidential by merchants and salesmen. While eventually competitors will secure information as to prices, the difficulty in securing such prices will delay their action. On the other hand, net prices are in many cases much more convenient and less cumbersome than list prices and discounts. They do not permit juggling. Comparisons are facilitated, which is of benefit to the buyer and to the salesman whose proposition is not one which suffers by comparison.

5. *Cash discounts.* The cash discount is a deduction allowed by the seller on condition that payment is made within a certain specified time. While superficially the cash discount is considered a premium for prompt payment, in many cases the cash discount constitutes a deduction from the selling price, and selling prices are really computed on the basis of invoice price less the discount. The reason given for this is that the cash discount usually offered in many trades at the rate of 1% per month of anticipated time is larger than the use of capital or risk factor warrants. It is more than a payment for the use of money between the date of payment and the due date of the invoice. It is a premium for prompt payment, justified partly by the

reduction in risk which prompt payment brings with it. It is a well-known fact to credit men that credit risks vary more than in proportion to their relative length, that the longer the term of credit, the much greater proportionately is the chance for non-payment. Some concerns refuse to grant cash discounts, claiming that the firms with which they do business should pay within the credit terms agreed upon, irrespective of the cash discount; that the cash discount is a pure reduction in price, and that prices should be quoted in the first place without such reduction. But commonly, cash discounts are used as a means of keeping the credit outstandings in good shape. The credit standing of the individual purchaser is judged in no small measure by the regularity with which he discounts his bills.¹ The practice of a merchant with regard to discounting is an indication both of his mercantile and financial ability.

The salesman's interest in the cash discount policy rests, briefly, on the fact that his proposition to the customer includes cash discount as part of the terms of sale. The customer's decision to buy or not to buy may hinge on this point.

6. *Jobbers' and quantity discounts.* The policy of making reductions in prices according to size of purchase is one of long standing. The chief reason for quantity discounts seems to be admittedly lower unit costs of handling larger orders. From the point of view of the seller, the quantity discount furnishes an incentive to urge larger purchases.

¹ The common plan is to grant the maximum cash discount if payment is made within 10 days. However, every credit manager is more or less troubled by the fact that customers send in payment in 11, 12, 15, 20 days or longer and deduct the cash discount. Some credit managers consider it expedient to overlook such practices, others take a stricter stand and insist upon payment of the full amount if payment is not received within the discount period. Discounts vary with the different trades just as do credit terms. In the grocery trade, discounts are usually 1% and 2% 10 days, some few goods being sold without discounts. In the dry-goods trade the discounts are frequently larger. While they were cut down during the shortage of goods experienced during the war, they have again appeared, so that most bills of goods are sold at discounts varying from 3% to 6%. Payment may be made at any time in anticipation of the due date, 1% for each month of unexpired time being deducted.

Those who purchase in large quantities have by long custom been led to expect such discounts and have adopted the policy not infrequently of refusing to buy where such discounts are not granted.

The part of the quantity discount not represented by differences in cost of handling is a form of price concession which may or may not be socially justified. Socially, quantity discounts are justified only up to the point where differences in cost are absorbed and only up to such a point that the quantity discount induces purchasing in quantities which are economically satisfactory. The discount which increases steadily with the quantity of goods purchased, particularly the discount which increases rapidly in size, tends to give the large buyer a very decided advantage in buying over the smaller or growing concern, irrespective of the larger concern's efficiency in production or in the performance of the functions for which it was created. The newer types of retailers, who are accustomed to purchase in larger quantities, secure from quantity discounts a decided price advantage which enables them to sell at lower prices or at higher profit. In so far as the quantity discount tends to favor the large, inefficient, in comparison with the small, efficient, concern, it is socially undesirable.

Closely related to quantity discounts are the so-called "jobbers' discounts," jobbers' prices, or the variations made in price levels between the different classes of distributors, where one class of dealers resells to another class. The practice is most common in trades in which commodities are handled by jobbers and wholesalers, who in turn resell to retailers. The manufacturer, who sells both to wholesalers and to retailers, frequently adopts the policy of selling at one price to jobbers and at another to retailers, irrespective of the quantities purchased, although, of course, as a rule the quantities purchased by the jobbers are larger than those purchased at least by independent or unit retailers. Fundamentally, the practice of quoting one price to jobbers and another to retailers is based in part upon the same

considerations as that of granting quantity prices. In some cases the superiority of credit standing of wholesalers or jobbers as a class and their assumption of storing, credit, and other marketing functions, which would otherwise have to be performed by the manufacturer, justify a larger difference. The Federal Trade Commission in a recent case expressed the opinion that jobbers' prices, as contrasted with retailers' prices, were not justified unless there was a substantial difference in the quantities purchased; or, in other words, that no variation could be made between classes of dealers purchasing the same quantities of a product. Such a ruling, if enforced, would involve a very radical change in the present practices of the trade.

The salesman will sometimes have difficulty in determining whether a particular dealer is entitled to a jobber's price. He may wholesale a few items; he may be purchasing in as large quantities as jobbers already on the books of the company and receiving jobber discounts. The classification of jobbers and retailers, however, is usually made, not by the salesmen, but by the house, assisted in many cases by the classifications made by trade associations or by rules which may be set up to distinguish those who are entitled to jobbing discounts from those who are not.

7. *Guaranty against decline in price.* In many trades the practice has grown up of guaranteeing buyers against loss through decline in prices below the prices quoted in the order. Such guaranty is of special importance in the case of goods purchased for future delivery, in which purchases are made a considerable period in advance of the selling season for which they are intended. In the shoe, textile, and canning trades, the purchasers are accustomed to gage the extent of their operations by means of orders on hand. Such future orders are not willingly placed by many retailers, unless there is some guaranty that they will secure the benefits of any decline in price which may take place between the time of placing the order and the time when the

order is shipped. The terms of the guaranty offered by concerns may vary. Some concerns guaranty the prices upon the orders taken for future delivery against their own decline in price up to date of shipment. A few companies extend their guaranty beyond the date of shipment to the time of sale of the goods by the dealer.

The first reason advanced in favor of this policy is that without such guaranty future orders are difficult to secure. This is particularly true of the periods in which there is a considerable degree of hesitation and waiting on the part of buyers. Those dealers who are too timid to place future orders or who are unwilling to take the risks involved may be induced to make future commitments if they are guaranteed against losses due to a change in price levels. Furthermore, where orders have been placed and there develops a period in which it is fairly evident that prices may decline, the tendency toward excessive cancelations is decreased if there is a guaranty against price decline.

From the view-point of the manufacturer, the placing of future orders enables him to make manufacturing plans which are probably more in accordance with actual consumer demand than might be such plans if no inducements were made to secure future orders. And, while the manufacturer who guarantees against price decline assumes a serious financial risk in the case of such decline, the loss through such guaranty may be considerably less than the loss which would be incurred if he should plan operations without having the guaranty operative. From the view-point of the wholesaler, the guaranty against decline makes it possible for him to relay the guaranty to retailers in an inducement to purchase. Thus, the guaranty tends to keep the stocks in movement, to maintain stocks in periods of hesitation, and to meet normal demands when stocks might not be maintained if the additional risk of fluctuation in price were not to be assumed in part by the manufacturer. Against the price guaranty is, of course, the great financial risk. A concern which sells a large amount of goods on a

declining market may find itself confronted with very serious financial obligations at a time when its resources are strained by other adverse developments. In a period of declining prices, therefore, there is the distinct tendency of the guaranty to retard price reductions by the firm which has assumed guaranty obligations. On the other hand, in periods of rising prices, future contracts made at a fixed price tend to slow up the advance in prices.

PRICE MAINTENANCE

The salesman, in selling to wholesalers and retailers, will very frequently, in some lines, receive requests for price protection, and inquiries as to the policy of his house upon the matter of resale price maintenance. Price maintenance is a marketing policy adopted by some manufacturers, of imposing restrictions upon the price at which an article identified by trade-mark, copyright, brand, or patent may be resold by the purchaser or sub-purchaser. Since price maintenance refers solely to the class of identified goods, the policy does not affect the great bulk of commodities entering into commerce nor do the manufacturers as a whole follow the policy.

The arguments for the policy which the salesman will find occasion to advance in explaining the policy of his house are chiefly:

1. The retailer is protected from price-cutting competition and is assured of a suitable mark-up on the goods he sells, at prices which are maintained.

2. From the view-point of the consumer, price maintenance is justified by keeping goods in convenient places on the shelves of dealers and protecting them from excessive resale prices. Price maintenance also tends to maintain quality, because the manufacturer is alleged to be relieved from the pressure furnished by price-cutting to lower the quality of his goods.

Contrary to the policy and in favor of the house which does not adopt the policy:

1. The manufacturer must sell his goods under an implied guaranty whether the prices are cut or not. The identification of the product places responsibility on the manufacturer.

2. The retailer is not protected from competition by price maintenance, but only from one aspect of competition; the competition may take the place or form of greater advertising, or more sales effort, so that the net result is not protection for the retailer but increased cost to the retailer and to the public.

3. Price maintenance as a policy cannot be enforced. Numerous cases have been brought before the Federal Trade Commission and before the courts, and, at the present time, it appears that neither patent rights, trade-mark, or copyright privileges, nor any other basis, can be used to prevent the retailer from reselling at any price he chooses, provided he purchases outright from the wholesaler. While the manufacturer may possibly refuse to resell to price-cutting concerns or to those who supply price-cutting retailers, the courts frown upon any attempt to put into force a system for determining who furnishes price-cutters with goods with a view to cutting off supplies.

The salesman will find that retailers are by no means in accord with the enforcement of resale price maintenance. Department stores and chain stores generally do not favor it; the independent retailer is the strongest supporter and in this he is supported, led, and encouraged by manufacturers of widely advertised, identified goods. The wholesalers sometimes favor it; sometimes not. In so far as they get their business on a price basis, they are inclined not to support any policy which will restrict their freedom in fixing prices.

Either price maintenance or a policy of non-interference with resale prices can be justified from the view-point of particular manufacturers, but the question is altered as soon

as the question of legalized price maintenance is raised.¹ Nevertheless, the general tendency which seems to be discernible at the present time is a tendency to accept price maintenance as a policy which is not enforceable, and which, if carried out, must be simply in the form of suggestions for resale prices as an attempt to build up good-will with dealers.

POLICIES TOWARD CUSTOMERS

It has been pointed out that the salesman must know his goods and, therefore, the policy of his house regarding the goods that he is selling; that he must understand the distribution policy of his company, both because it determines the customers to whom he must sell and the reasons for selling; that he must understand the price policy of his house because prices constitute the *quid pro quo* in the selling transaction. It is likewise of importance for him to know the policies of his house with regard to customer relationships; to know the attitude of the house with respect to return of goods, claims, allowances, and cancellations.

Consideration of a customer policy was practically unknown a generation ago. The adoption of the policy that the customer was always right, which characterized one of the great developments in the retail trade, was unknown and unthought of in business prior to that time. The importance of policies relating to customs is illustrated by reference to the policy of retail stores with regard to return of goods. Important department stores' records show that over 20% of goods sold are returned. The problem was a most serious one in many wholesale trades, during the period of 1920-1921. Cancellations and return privileges were used and abused by manufacturers and by every class of middleman. Therefore, it became particularly necessary

¹ For a more complete discussion of price maintenance, see the articles upon price maintenance by the writer in the *American Economic Review*, March and June, 1918; also Claude T. Murchison, *Resale Price Maintenance, Studies in History, Economics, and Public Law*. Vol. LXXXII, No. 2. Columbia University, Longman's, Green & Co., Agents, New York, 1919.

for every salesman to understand the policies of his house so that he might be enabled frequently to eliminate existing and potential misunderstandings with customers. Returned goods represent wasted energy and effort, and are due either to mistakes of the house, to mistaken judgment of the buyer, or to misunderstanding on the part of the buyer or seller. From the view-point of the salesman, the policy of the company may be of great interest.

Policies of business concerns vary widely with regard to return of goods. Some companies allow almost unlimited freedom to the customer in connection with return of goods. Other companies allow no returns whatsoever, without permission of the seller, such permission being granted ordinarily when a mistake, which has been made by the seller, is responsible for the desire to return the goods. It is highly desirable both for the salesman and for the house to keep down the amount of returned goods to a minimum. If the policy is a strict one, the salesman must be more careful in selling goods, and he will have to explain and understand more thoroughly this policy and the reasons for it. He must be able to convince his customers who try to return goods that this policy is fair. The adoption of a strict return-of-goods policy is to be commended, because it compels sounder selling on the part of the salesman. The return of goods, however, because of the mistakes of the seller or upon misrepresentation is unavoidable. Likewise, if the buyer insists upon the return of goods because of misrepresentation on the part of the salesman as to goods or their salability, the house is bound to permit return in its capacity as the employer of the agent salesman. But, the buyer who has been given a fair opportunity to inspect the goods or samples, who has been given complete and accurate information, whose order is filled correctly and in accordance with the terms of the agreement, should not have the opportunity of returning goods, without at least defraying extra costs involved in such return. This attitude is reflected in the policy which some companies have adopted, of making

a service charge of 5% or 10% on the amount involved in return of goods.

CLAIMS AND ALLOWANCES

Among the forms of claims that are made by buyers upon jobbers or manufacturers, the claims for allowance upon goods damaged or lost in transit are most frequent. Claims for such losses for damaged or lost goods are made in three ways:

1. The customer makes his own claims, furnishing necessary papers and carrying on correspondence independently;
2. The jobber or manufacturer furnishes all necessary papers, carries on the correspondence, and files the claim for the customer's account without, however, crediting the customer's ledger account;
3. The jobber makes the claim for his own account, crediting the customer's ledger account with the loss or damage claimed; under such a plan the duty of the customer does not extend beyond having the freight receipt provided with a notation "In bad order," signed by the local agent. In both the latter methods the salesmen who collect accounts may have to adjust the claim with their customers.

In the wholesale grocery business, the practice of having the customer handle the entire transaction himself is uncommon, because for various reasons it has become the custom in certain parts of the country for grocery wholesalers to handle all the details for the retail customer, and frequently to credit the retailer's account upon presentation of the claim and freight receipt with notation.

As far as other claims are concerned, no general policy can be laid down, except that the treatment of the customer should be generous whenever there is a possibility that the seller may have been to blame for the conditions that give rise to the claim. Even in cases where claims are made without warrant, it may be expedient for the house to allow such claims, provided they are honestly made, since the

allowance will usually increase the good-will of the customer as a basis for future sales. In the handling of claims the salesmen must exercise judgment, steering a course between that of weakly yielding to every claim of the customer and that of refusing fair adjustment. Future sales and future profits from a customer often depend upon judicious adjustments.

CANCELATIONS

The problem of cancelations, which received special attention during 1920-1921, brought up very definitely to many companies the necessity for the adoption and practice of a definite policy in regard to cancelations, and brought forcibly to the salesmen the fact that an order is not an order if cancelations are freely permitted. Many companies have adopted no definite plan regarding cancelations. Salesmen working on a commission basis found that because of cancelations their incomes were being cut down considerably, sometimes disappearing, because the house would not insist upon the sanctity of orders. In other cases, the manufacturers were not in a position to enforce a non-cancelation policy, both because of the disastrous effect it had upon customers and their good-will, and because the manufacturers themselves were guilty of the same practice.

Three general policies regarding cancelations may be adopted. The first is that of accepting no cancelations whatsoever. Second, the policy of accepting all cancelations, believing that a request for cancelations comes only when there is reason for it; that it will add to the good-will of the manufacturer to allow such cancelations. The third policy is that of having no definite policy; of treating each case on its merits. This is the condition in which many firms find themselves, for by allowing a few cancelations at the outset, they are forced to permit others.

It is obvious that the salesman who has probably sold his customer without misrepresentation, honestly and fairly, and has attempted to fill the needs of the customer, suffers

much less danger of having his orders canceled than the salesman who attempts to overstock, who through high-handed methods, or attempt to dominate the buyer, secures orders which remain firm only so long as the buyer is under the personal influence of the salesman. In such cases, the buyer may justify cancelation in his own mind by the assertion that the salesman gave him bad advice. The policy of no cancelation of orders without permission of the seller rests on a sound ethical basis, and on a sound economic basis; only on the assumption, however, that the sale has been properly made.

In many lines of trade, the orders which are received are used as the basis for production plans. In so far as those orders are real, they furnish a firm foundation for plans; in so far as they are subject to cancelation, and the buyers do not respect the sanctity of orders, they do not furnish a satisfactory foundation for industrial operations. An order should be respected as the acceptance of a proposition made by the seller. It is a contract. Release from the contract should come only by mutual consent from both parties, and not by the high-handed method which many retail and wholesale houses are reputed to have used in their operations during the last depression.

POLICIES TOWARD COMPETITORS

The last set of policies to be mentioned are policies of the company with relation to competitors. Shall the company disparage its competitors or remain silent? Shall the company cooperate with its competitors? If so, in what ways and to what extent? What should the salesman's relations with competitive salesmen?

Questions regarding the relation of a house to its competitors permit answers today quite different from those which would have been elicited 50 years ago. At that time, the words "competitor" and "enemy" were frequently synonymous. Competitive tactics were not tactics which could

be considered accompaniments of healthy rivalry, but tactics which represented warfare—in which there were no rules of fairness, or no rules to prevent unfair practices. At the present time, while there is still unfair competition, the development of sentiment among business men themselves, and among the public generally, has brought relations among competitors to a point where it can be said that the salesman ordinarily finds it neither advisable nor profitable to adopt other than a fair and even generous attitude toward competitors.

It has been discovered that unfairness and lack of generosity to competitors is poor business practice and tends to react on the seller who practices unfairly. Furthermore, there is a growing consciousness on the part of those engaged in business, that they are performing a real service for the economic community by their actions. The salesman desires to stand well in his community and with his fellows. He wants to take pride in his work—a pride which cannot be developed if unfair and ungenerous practices characterize his relations with competitors.

The codes of ethics which have been published by numerous associations of manufacturers indicate pretty clearly the new attitude of progressive manufacturers toward their competitors. For instance, the National Association of Cement Manufacturers states in its code of ethics of business practices that “we declare the following code to be the governing factors in the conduct of our business:¹

1. To endeavor, by the exchange of ideas of business methods and practice, to increase the efficiency of the industry in the rendering of service.

2. To strive by all lawful means to cooperate with fellow members in raising the standards of the industry, (*a*) by securing the adoption of uniform trade practices of a universally beneficial character, (*b*) by encouraging the production of a higher and more uniform quality in the raw materials we use, and (*c*) by maintaining the highest standard of quality in our products.

¹Heermance, Edgar L., *Codes of Ethics*, Free Press Printing Co., Burlington, Vermont, 1924, p. 73.

3. To condemn the making or circulating of false or misleading statements, either written or oral, respecting a competitor's product, service, or selling price, or regarding his business, financial, or personal standing.

4. To condemn the interfering with or the attempt to recover the sales and contracts already secured by a competitor.

5. To condemn the enticing of employees away from a competitor either for our own service or to hamper and embarrass him.

6. To condemn the selling of material at or below cost for the purpose of annoying, harassing, or eliminating a competitor.

More elaborate are the sections of the code of ethics of the Electric Power Club:¹

GENERAL RELATIONS OF MANUFACTURERS TO EACH OTHER

1. In their ordinary relations, companies should observe the general ethical requirements of business life, and should extend to each other in full measure the courtesy usually extended to non-competitors, that is, information regarding credits, and so forth.

2. The purposes of our club do not include a general leveling process up or down. A company gaining an advantage by reason of superiority in designing skill, electrical or mechanical, is under no obligation to share such advantage with other companies. Such a company cannot, however, expect to retain the exclusive use and benefit of general ideas which are not patentable; but specified designs of one company, developed usually at considerable expense, should not be appropriated by its competitors.

3. Perfect frankness between manufacturers is desirable. If a competitor makes a request one does not care to grant, a plain, courteous refusal is better than circumlocution.

4. Confidence should be exercised and deserved. Promises should not be lightly made, but when made, they should be punctiliously kept.

5. It is considered unethical to adopt such methods for injuring competitors as the institution of patent litigation where one's case has no merit or where a suit is based on technicalities and success is sought through weight of capital or influence. It is also considered unethical deliberately to infringe the patents of others or institute price-cutting when directed against a specific competitor for the purpose of injuring his business.

¹ Heermance, Edgar L., *op. cit.*, pp. 149, 150.

RELATIONS OF MANUFACTURERS TO EACH OTHER IN SELLING

1. Only men of known high character and probity should be employed as salesmen.

2. The home office should keep in such close touch with salesmen that they will represent it faithfully both in opinions and methods. It is not a justifiable excuse for a breach of ethics to affirm that a salesman did not represent his employer properly.

3. The truth and nothing but the truth should be told concerning one's own apparatus, and a discussion of a competitor's product should be avoided wherever possible. If it becomes necessary to make any statement concerning a competitor's apparatus, one should not indulge in unfounded criticism or insincere compliment. It should be known that any comments made are founded upon facts.

4. Comparisons favorable to one's own product are justifiable if they are confined to strictly truthful statements. But neither generally nor specifically disparaging statements concerning a manufacturer or his product should be made beyond those involved in a clear-cut comparison of similar facts. It is proper to make comparison of one's product with that of a competitor, when such comparison is based on information secured through bulletins available to the public, articles appearing in the public press, information derived from the reports of competent, independent testing organizations, or upon data which can be readily verified by the prospective purchaser, such, for instance, as weights and dimensions.

5. It is often difficult to distinguish between failures of apparatus by reason of defects in workmanship or design, and those due to other causes; for example, abuse or misapplication on the part of the customer. Therefore, it is not ethical to draw the attention of a purchaser to the supposed failure of a competitor's line or type of product even although occasional instances of such apparent failure have been reported.

6. Rumors concerning the financial standing or credit of a competitor or in general any rumor disparaging to a competitor should not be repeated.

7. Calling attention to the respective prominence and magnitude of manufacturers is proper. This is advantageous to the smaller manufacturers in some cases and to the larger manufacturers in others, depending on the locality, size of equipment produced, or character of installations made, or possibly to the special peculiarities of relationship of the customer to the manufacturer or to his own trade.

8. One manufacturer should not endeavor to secure the employees of another without consulting the manufacturer in whose employ the person wanted may be.

9. Presents and gratuities should not be given to customers when intended to influence the placing of their orders. In no event should they be of any sizable monetary value, neither should they take the form of unusual guaranties, or inclusion of parts not regularly included with the apparatus, quoted on, nor free repairs beyond the guaranty period.

XVI

SALES METHODS—GENERAL CONSIDERATION

Choosing selling methods. Personal solicitation as a selling method. Advertising. Correspondence as a means of selling. Samples as a means of selling. Fairs and exhibitions. The auction method. Competitive bidding and personal selling. "Push" and "pull" selling methods.

WHEN the sales organization has been formed and policies for operations selected, the next step is to determine the methods by which purposes of the organization may be accomplished and by which policies may be put into effect. The policies of a company will frequently determine the sales methods, but the means of performing distributing functions at the disposal of the sales manager may vary from very few to a large variety, depending, of course, upon the type of selling which is to be performed. In order to effect the performance of the selling process, the means of selling must be so chosen, so combined and correlated, and so executed as to bring about a maximum result of successful selling transactions at a minimum of cost. The selling process, as has been pointed out before, is a process of inducing buyers to purchase things which they need. There must be developed in that process, first, a willingness to purchase; second, a willingness to regard the product as satisfying a need; and third, a willingness to regard the seller as a satisfactory vendor of the product. The task, then, to be effected by a sales organization, in accordance with policies established by means of those sales methods which are chosen, is the creation of demand and consequently the consummation of the sale.

The purpose of a sales department is to effect sales—in other words, to carry on the operations necessary to make sales properly. The task is a most difficult one because there

are available to executives and to the sales manager a variety of tools with which to work and a variety of means with which to make sales, some of which may be effective under particular conditions, many of which will not be effective under given circumstances. So the problem of a sales manager becomes that of choosing the means which are to be used in effecting sales and of seeing that the methods adopted are faithfully carried out.

From one point of view, the most important problem of the sales department is to choose proper methods and to combine them in the proper way—a problem whose difficulty is enhanced by the fact that there is no great amount of data with which to determine proper proportions. Every sales manager is working toward an ideal proportion of personal salesmanship, advertising, and other minor means of selling, so that he can effect distribution at minimum cost and maximum profit (in the long run) for the house. That such an ideal proportion exists is only conjectural, but a study of the experience of many companies seems to show that it is possible to have too much personal salesmanship and too little advertising; or that it is possible to have too little personal salesmanship and proportionally too much advertising. There are many instances of accomplishment of increased effectiveness in selling brought about by some variation in the application of the chief selling methods or by some application of one or more of the minor means. Something analogous to the law of diminishing returns seems to operate. With a given amount of advertising, for example, the returns may come in increasing measure if the amount of personal salesmanship is increased; but beyond a certain point which it is difficult to determine, additional personal salesmanship may be increased to such an extent as to yield less than proportionate returns for additional expenditures.

From the view-point of the salesman, the choice of sales methods is of vital importance. The salesman who is a member of a sales department which does insufficient adver-

tising finds his work more difficult and his efforts less effective than if a more efficient combination of the two methods were utilized. Likewise, it is conceivable that the company which spends an excessive amount for advertising makes smaller profits and is inclined to give smaller credit to the salesmen for what they perform than would be the case if advertising were decreased and the additional profit secured. The important methods of effecting sales¹ may be classified briefly as: (1) personal solicitation, personal salesmanship or personal selling; (2) advertising in its various forms; (3) correspondence, which at times approaches direct-mail advertising; (4) samples, frequently used in combination with personal solicitation or with advertising or correspondence; (5) fairs and exhibitions; (6)

¹ In the discussion of methods of sales, distinction is sometimes made of sales by "bulk," by "sample," and by "description." Personal solicitation may be used in case of any method. The salesman may take the product that he sells with him, and deliver it on the spot as soon as the sale is made. The house-to-house salesman who carries with him the articles which he sells is selling in "bulk."

Much more common is the use of personal solicitations in selling by "sample." A large proportion of traveling salesmen carry at least a few samples with them, and selling by sample requires, of course, a higher standard of business conduct and greater confidence of the buyer in the seller than selling in "bulk." When the goods are sold on the spot, the buyer is not compelled to assume that the goods delivered will vary from the sample. When goods are purchased on the basis of a sample, the salesman must not only sell his goods, but he must convince the buyer that his house is such that it will deliver goods strictly according to sample. While in many cases there is legal redress for failure to deliver according to sample, and while in many other cases the buyer is able to determine with absolute accuracy whether or not goods have been delivered according to sample, the fact remains that the buyer is frequently unable to distinguish, except broadly, differences in quality. At the time that goods are delivered, he must trust to the house for faithful compliance of quality. Secondly, as soon as goods are sold upon order, the salesman must make promises as to delivery, and, therefore, must convince the buyer that they will be fulfilled. The third form of selling is selling by "description," which is used by the salesman. There are many salesmen who find it impossible to carry samples of their products and are compelled, therefore, to sell on the basis of description of their products. They must do this with accuracy and be able to determine the needs of their buyer in order to be successful. Personal solicitation is not confined to sale purely by description, because salesmen may use sample or description. Advertising is confined to sale purely by description. Personal solicitation appears in many forms. Personal solicitation in the retail store takes the form of retail salespersons, and of persons engaged in selling work—the proprietor in the smaller stores, and all the personnel engaged more or less in personal selling.

auctions—a method of selling used not only in emergencies, but as a regular device for selling both raw materials and finished products in limited lines; (7) competitive bids; (8) reciprocity.¹

CHOOSING SELLING METHODS

The first two, personal solicitation and advertising, are the chief methods of selling at the disposal of the sales department, although depending upon the customs and practices of the trade any one of others may play a very important part. The task of the sales manager, therefore, is to choose those methods which will effect the distribution of his product at the smallest expenditures of time and money, taking, of course, a long-run point of view. It may compel a higher cost of distribution at the outset as a means of developing a foundation of good-will for lower costs in the future. Just as in any business enterprise, it becomes necessary to make expenditures whose full value and effect are not realized at once, so in the development of sales policies and sales methods, it is wisdom at times to recognize that the building for effective distribution may involve smaller profits or even temporary losses for the purpose of developing a market which can be reached economically in the future.

Without going much into detail, it may be said that the manufacturer or wholesaler of finished products customarily uses several of the different types of effort mentioned. There are many variations of the personal selling factor. There are many forms of advertising; variations in the use of samples which result in the existing wide differences in practice. The problems of the sales manager then become complex, and the result is that, in the great majority of selling departments, the choice of selling methods has had to be made on the basis of experience or on the basis of trial and error.

¹ For discussion of reciprocity, see footnote, p. 64.

In arriving at any choice of methods to be used in order to sell a product, several different sources of information are utilized:

1. The experience of the business and of executives personally in selling goods. The house, through its experience, may have discovered that it can carry on its business profitably by employing salesmen exclusively or in combination with other methods. Every firm which has been in business for a time has built up certain traditional methods which, on the basis of experience, have been proved to be profitable, but just as obviously such methods are not necessarily the most profitable. The burden of proof lies with the sales manager, however, who attempts to adopt new methods to replace methods which have already proved themselves profitable. Among wholesale and manufacturing firms, personal salesmanship has commonly been used since the Civil War as the chief method of effecting sales. As a consequence, the discussion of change of method has usually taken the form of discussion regarding the use of other methods than that of personal salesmanship, and of changing the combination of methods in such a way as to include some form or forms of advertising. The success of many firms in combining advertising with personal salesmanship is to be considered as partial proof that they had not, up to that time, had an effective combination of selling methods. Likewise, the fact that many advertising campaigns have been failures is to be attributed to one or both of two causes; namely, the fact that the effective combination did not include advertising in the quantity or of the quality used, or that the advertising plan was not carried out properly. It is much less common to hear about the failures of advertising than its successes.

2. A second source of information upon which the choice of methods is based is the practice of the trade or the custom or practice of individual competitors. The majority of firms in a particular field of business usually use the same

general combination of selling methods. In the shoe trade, for instance, the common method is that of personal salesmanship. In more recent times that combination has been changed to include national advertising with or without a certain amount of cooperation with individual dealers in local advertising or in other forms of dealer helps. In the clothing trade, the common method is likewise that of personal salesmanship, ordinarily without any advertising. It is, therefore, easy for the sales manager to assume that, since competitors use a particular method or combination of methods, the evidence is in favor of using that method, and any departure from that method is to be looked upon with suspicion. In many lines of trade, however, there are distinct departures from the generally accepted selling methods. In some cases, the concerns making such departures are unusually successful; in other cases, they are not. But if the firm is unusually successful, the force of its example is felt by every other sales manager in the industry. In the textile trade, for instance, the force of a successful outcome by a house-to-house canvass by a silk hosiery mill has been felt by every hosiery sales manager, and not a few companies have been considering the advisability of adopting similar methods.

However, while one successful example of a departure from a general practice may indicate that older methods were generally wrong, it is as likely to be the one exception which proves the rule. It is unlikely that any considerable number of hosiery sellers or manufacturers would be able to use the house-to-house canvassing method profitably for reasons which have been indicated in the discussion of distribution policies in a previous chapter.¹ It must be remembered that the practice in a trade is not to be taken as evidence that variation or departure from that practice cannot profitably be made. Groups of business enterprises are generally conservative, and a company which is looking toward the future will be constantly experimenting to de-

¹See Chapter X.

termine whether better methods or better combinations of selling methods may not be devised to give it a competitive advantage. In the past, it has been not infrequently observed that any important change in selling methods involves a great deal of risk to the future of the company. As a consequence, there is a very strong pressure not to undertake any radical steps.

3. Experimentation, research, and analysis are used to secure facts and to reduce the risk of making desirable changes in selling methods. Preliminary tests as to particular combinations or applications of selling methods may be made in a small selected territory. The company may experiment in the use of newspaper advertising, in the use of a particular type of salesman, in a restricted area, so that the unsuccessful outcome of such an experiment will not be disastrous to the company, while success will give a greater assurance, and point out methods of improvement in the adaptation of the new plans to the entire market area. For instance, a sales manager or salesman may have the idea that more sales could be made provided better dealer service were given in the way of furnishing and installing window displays. It may not be profitable, frequently is not, to take the salesman's time for such service; consequently, the plan of using two or three men to go from town to town to set up those window displays may be tried out in a small territory considered representative. If successful, the plan may be used in the entire United States, or only in the more congested areas. Or again, in the introduction of a new product in one territory at a time by a company having national distribution, the sales manager faces the question of using regular salesmen or special salesmen during the period of introduction. There is much greater economy in the use of the regular salesmen, provided the regular salesmen can introduce the product effectively. On the other hand, it is the experience of many companies that the introduction of a new product or the development of new customs is a type of work which cannot be done as effectively by salesmen

who take care of the regular trade as by special salesmen.

For advertising, certain tests have been developed to determine relative effectiveness of particular pieces of copy, and the effectiveness of headlines, type faces, and color has been subjected to scientific study by psychologists, and results have been obtained which point toward definite accomplishments in the direction of a more usual application of science to advertising copy. However, so far little has been accomplished in scientifically determining what combination of selling methods will give the maximum results at the lowest cost of distribution; and yet that is a question which should be decided before scientific methods can be applied to the selection or supervision of a sales force. So far the only real experiments, and possibly the only experiments which can be made, are those in which certain territories are selected as experimental territories, where the company tries out combinations of selling methods to determine those which are more effective than others.

PERSONAL SOLICITATION AS A SELLING METHOD

The oldest form of selling effort is personal selling in which the goods were sold on a bulk basis; that is, the actual goods offered for sale could be delivered immediately from the stock displayed to the buyer. There is, therefore, a definite historical reason for the fact that personal solicitation or personal selling remains the prime form of selling and the most important constituent of most selling plans of manufacturers and wholesalers today, as well as of sellers of intangible and semitangible products. That personal selling is used in the proper proportion in its relation to advertising is seriously to be doubted. The sales manager has no definite means of knowing the results of the particular combination of advertising and personal selling which he decides upon in planning his annual campaign, except that of the results of his own personal experience and the experience of other companies whose problems vary consider-

ably from his own. The sales manager is affected more or less by the practice of competitors. If an important manufacturer in a particular competitive trade decides to advertise extensively, his competitors may likewise be called upon to advertise, even though the campaign of periodical advertising and personal selling which the first manufacturer adopted was not by any means the wisest. The impossibility of measuring accurately the results of advertising and of personal salesmanship gives advertising men the opportunity to claim, for their means of selling, results which may be justified but probably are not. The custom of the trade may be that of using salesmen almost exclusively, and the tendency is, therefore, for the sales manager to hire a group of salesmen to do the selling work without serious consideration of the fact that each salesman in a force might find his work considerably more effective if his efforts were supplemented by other selling methods.

Personal solicitation or personal selling appears most commonly in the regular type of wholesale salesman who may or may not carry a few samples and who makes his calls upon wholesalers, retailers, or large consumers at stated intervals; and in the retail salesperson who customarily waits for the customer to come to him. Both types of salespersons sell by bulk and by samples. The wholesale salesman frequently carries samples with him; the retail salesperson usually sells the goods which he displays to the customer from stock at hand. Occasionally the retail salesperson sells from samples or from description without other aids. However, very commonly the wholesale salesman sells on the basis of description.

Personal solicitation is carried on by those in the position of salesman and by other members of a business enterprise—particularly executives. In addition to the regular type of salesmen, as has been pointed out, special types of salesmen may be entrusted with special duties, such as that of creating good-will, of performing only a part of the selling process. A salesman may be entrusted with a certain type

of selling. For instance, it has been discovered that a certain type of man is particularly effective in opening new accounts. He loses interest in those accounts after they have been established and, consequently, frequently loses customers. Therefore, the most effective utilization of the abilities of such a salesman for his own benefit as well as that of his sales department calls for transfer from territory to territory, confining his work to the building up of new accounts which are taken over for steady care by other salesmen. Another type of specialization is indicated by the name "closers" or closing salesmen, salesmen who are particularly effective in bringing sales negotiations initiated by other salesmen to a successful close. Some manufacturers who sell through wholesalers maintain a force of salesmen called specialty salesmen, often called "missionary" salesmen, who sell their products or frequently a single product to retailers, orders of retailers being turned over to wholesale houses for delivery. Companies manufacturing complex products, as has been pointed out, frequently maintain special types of salesmen with engineering or mechanical experience, in order to keep operating satisfactorily, products which have been sold. A number of others have been mentioned at various points in this work,¹ but those given are sufficient to show that in the choice of personal salesmanship there is involved both (1) the specification of types of personal salesmanship, and (2) the types of effort expected from each salesman.

Upon the decisions made in the sales department, if properly executed, depend a number of matters which vitally affect the salesman:

1. The decision regarding the types of personal salesmanship to be used determines the type, experience, and training of men who will be employed by the company as its sales representatives.

2. Upon the decisions as to sales methods in general will

¹ See Chapter I.

depend the nature and the amount of selling work to be done by the salesmen.

3. Upon the decisions as to the combination of selling methods to be employed will depend the effectiveness of the salesman's efforts. If the salesman is inadequately backed up by advertising, or other selling means, he will have to exert more effort to make a given amount of sales.

ADVERTISING

The forms of advertising are even more numerous than the forms of personal salesmanship. A list of mediums is found elsewhere,¹ but it does not indicate the choice which must be made even within each of the groups, ranging from the periodical whose readers number millions to the country newspaper with a few hundred subscribers, and from circular letters to motion pictures. There are hundreds of periodicals, thousands of newspapers,² and any number of variations in direct-mail advertising. In all of these, choice must be exercised to select those mediums which will best fit in with the purposes and other plans of the company. Advertising is not a substitute for personal salesmanship in the sense that it can be used instead of personal salesmanship. At times it aims to perform the same functions, that

¹ See footnote, page 453.

² The *American Newspaper Annual and Directory* (1925 edition), compiled by N. W. Ayer and Son, Philadelphia, contains the names of 20,926 publications printed and distributed in the United States and its territories, listed as follows:

Daily	2,348
Triweekly	78
Semiweekly	480
Weekly	13,439
Fortnightly	100
Semimonthly	290
Monthly	3,502
Bimonthly	171
Quarterly	411
Miscellaneous	107

The morning, evening, and Sunday circulation of the newspapers printed in the United States and its territories is divided as follows:

Morning	13,000,000
Evening	20,000,000
Sunday	19,000,000

of effecting an economic exchange, but ordinarily advertising cannot perform all the steps in the selling process. It can serve best as a supplement to personal salesmanship and to other means of selling.

The effective combination of advertising and personal selling used by one company may not be effective in another. The selling plan of an important cereal company includes very little personal solicitation, if any, and a very large amount of advertising. A mail-order house uses direct-mail exclusively. On the other hand, retail stores use personal solicitation and advertising, though all the records which are available indicate that personal solicitation as reflected in the cost of sales force is considerably more important than advertising. Many wholesalers, perhaps a majority of wholesalers, devote little of their selling effort to other forms than personal salesmanship. Manufacturers, on the other hand, frequently use advertising, some of them depending upon advertising very largely as a means of creating consumer and dealer recognition.

The main economic justification of advertising in the long run is the possibility of reducing the cost of goods to the consumer. It may do this by increasing the volume and thereby reducing the cost of production, without reducing the cost per unit of selling. But, if advertising does not do this, it fails in its purpose. From another point of view, unless personal selling alone, in combination with advertising, or other methods, can bring about distribution of goods most economically, it is ultimately doomed to destruction. Advertising and other sales methods would surely take the place of personal salesmanship unless it could be shown that economic functions are performed more economically thereby than they could be performed otherwise.

CORRESPONDENCE AS A MEANS OF SELLING

Correspondence—including in the term only letters written to individuals in which some consideration is given to

the wants of a particular individual, as contrasted with form letters to groups of individuals—is occasionally used as an independent means of selling, but its chief value lies in its use as a supplementary means either to advertising or to personal selling. An enumeration of some of the uses to which correspondence may be put in connection with selling indicates this:

1. The seller may use a letter which he prepares for each prospective buyer, taking into account such information as he possesses or can get as to that buyer's wants. The letter can be made much more direct in its presentation, can be made to take the differences in buyers' wants into account, and next to personal selling furnishes the nearest approach to personal contact.

On the other hand, the cost of preparing such letters is high; the difficulty of writing good letters which convey the message that the sales proposition offered is one which will satisfy the wants of the prospective buyer is not to be underestimated. Both in this use of the letter as an independent selling means and in other uses, the proportion of good letters, letters which present effectively the information they propose to present, are in the minority.

2. The letter may be used as a means of continuing selling efforts in relation to a prospective buyer whom the salesman has not succeeded in convincing. The letter may be used to stimulate or maintain interest in the house and in the proposition between calls of the salesman.

3. The letter is constantly being used in many companies in carrying on the necessary communication with those who send in inquiries developed by advertising, or otherwise. Here again the entrusting of letter-writing to incapable correspondence clerks has been the result of failure to realize that the contact of the personal letter with the prospective buyer or customer is much closer and much more dangerous to good-will if not handled properly than general advertising. The small proportion of direct inquiries developed by

advertising constitute a valuable asset which should be carefully conserved by realization of the sales possibilities and utilization of those possibilities.

4. The letters with which the salesman is ordinarily most concerned are those which the selling firm sends to the customer in connection with inquiries, credits, delivery, or other matters which may require additional information. If they embody sound decisions, with a recognition of the facts as they are, if they evidence a desire to help the buyer to get what he wants, in short, if they practice the principles of good salesmanship, they help the salesman in his work. Conversely, if they do not have these and other characteristics, the good-will built up by a salesman may be destroyed; a careless credit clerk or correspondence clerk may, in a few minutes, write a letter which will destroy a basis for repeat business which the salesman has spent years in building up.

SAMPLES AS A MEANS OF SELLING

The sample has been for many decades an important adjunct of both personal and printed salesmanship. The sample is used extensively in the selling of raw materials, particularly where the material is such that it cannot be graded in a way to convey to the buyer complete description. The sample likewise has been used by numerous sellers who realize that the sample of the product is frequently more valuable and more effective than thousands of words. Just as a picture conveys more at a glance than many words, so does the examination of a specimen of a product for sale shorten the time necessary for the prospective buyer to get the definite impression he desires before arriving at a decision regarding purchase. The use of samples by salesmen has been discussed. The use of samples as a "pull" method of selling is not uncommon in certain trades. For instance, in the silk business, in the sale of breakfast foods, and toilet preparations of certain types, there are manufacturers who spend hundreds of thousands of dollars each year in dis-

tributing samples, particularly to consumers in house-to-house sampling campaigns. The cost of the samples themselves and the cost of distribution makes sampling a major item of distribution cost to these companies. The effectiveness of the sample in creating a demand which is similar to that which is secured by retailers and wholesalers is not to be taken for granted. While sampling may mean knowledge of the product, it is equally true that from the samples themselves many buyers will be unable to form a correct conclusion as to quality in use. Furthermore, the cost of samples may be greater per family reached than the cost of other types of selling equally effective.

Samples may be distributed in various ways to help the salesman in his general work. A few manufacturers maintain highly trained organized crews which move from town to town on regular schedules. These sample crews of four to six men undertake to sample a town in a very short time and to see that samples are placed at each house so that the house and the executives may know definitely that the sampling work has not been neglected. Such sampling of communities, of course, has its effect on the demand from retailers, but whether that demand is sufficient to warrant the heavy cost of sampling or not is another question. It is true that the salesman is aided in the work of selling to retailers by sampling of consumers, especially if the product is such as to be asked for at the retail establishment.

There are other methods of distributing samples. Samples are sometimes sent by manufacturers to prospective users, the names being furnished by dealers. Such sampling furnishes a selling argument to the dealer on a much more definite basis than indiscriminate house-to-house sampling undertaken for the benefit of the retailers as a group. Samples may be given out by the retailer in his store, either through a special demonstrator who may be furnished by the manufacturer, or by a special salesman personally detailed to the work by the retailer. The cost of such sampling, particularly when it includes demonstrating, is high, but

the results are sometimes correspondingly satisfactory. A more common method is that of furnishing the retailer with samples to be given to his customers who come to the store, although too frequently the retailer either refuses to distribute them or distributes them in a way which is not effective from the view-point of the manufacturer. Sometimes coupons in newspapers or in magazines are used and made exchangeable for a free sample of the product at the retailer's establishment or upon receipt by manufacturers. Samples may be mailed to the consumers, or in other cases, the coupons may be redeemed at the retailer's. But in every case it is necessary to provide definitely that the receiver of the samples knows where he can make additional purchase of the product should it please him. A sample which is sent out without adequate information as to where it may be obtained in the locality is very likely to fail in its purpose unless the product is widely distributed.

Retailers more frequently receive samples from wholesalers and manufacturers than do consumers. It is not surprising that this should be true, since the retailer buying a larger quantity than the consumer must assure himself of the characteristics of the product more fully than the purchaser who can simply refuse to repeat his single unfortunate purchase. Dry-goods retailers depend upon samples both in buying direct by mail in market centers, as well as from the salesmen who visit them with many competing lines of samples. The distribution of samples to retailers is, of course, much less expensive because in any particular line the number of retailers is very much smaller than the number of consumers. The expense of sampling mounts up to such a point that there are constant efforts to decrease that cost by advertising. Printing and photography, as developed in recent years, frequently convey as nearly definite an idea of appearance and coloring of products as the samples themselves.

Sampling is not a method which can be used for more

expensive products. It is true that there are exceptions to such a rule that an expensive sample may be furnished to a buyer who is in the market for a very large purchase, but the large use of samples for free distribution is confined to products which are comparatively inexpensive per unit. In such products the point should be considered that the sample may not be valued because it has cost the bearer nothing. Some companies, therefore, make it a policy to sell samples. They may sell them through a special offer requiring the payment of a nominal sum as a condition for receiving the sample, or they may sample through the popular price chain stores. They make up sample stocks which are sold under special conditions at attractive prices for the above purpose of making the buyer acquainted with the product.

More expensive products are "samples" in a different sense. It may be declared that every installation of electrical machinery is in a measure a sample for prospective buyers in the district. The salesman who is selling his expensive product in installation should so develop his selling and develop his good-will that it would be possible for him to use the one installation as a demonstration for other prospective buyers in the district. Such an installation has the value not only of a sample, but as furnishing a selling argument inducing other manufacturers to imitation, provided the installation is successful. More expensive or complex products, or extensive lines which involve large numbers of samples, may be shown only at a single market center. For instance, a firm may maintain sample rooms in charge of a salesman in a buying center for retailers and wholesalers. A wholesale house in a buying center will use a portion of a floor or perhaps a whole floor to present samples in a fashion which will assist the visiting buyer in making his purchases from the house salesmen. The older method was that of having the visiting buyer move from department to department to see the goods in bulk and to

inspect various articles prior to purchase. The segregation of samples in some one place assists the buyer in making his purchases and the sellers in making satisfactory sales.

The full line of samples may be taken by salesmen to a secondary buying center and set up in some convenient place, usually some hotel, either as a permanent exhibition or more likely as a temporary seasonal exhibition of samples, at a time when buyers are accustomed to come to the market to make their purchases. The traveling salesman's problem, therefore, is not only to get the attention of the buyer, but to have him come to the sample room. Branch offices frequently carry samples, if not stock goods, unless the products are very complex or are made to order.

FAIRS AND EXHIBITIONS

Sampling and demonstrations are not only possible through the use of sample rooms, but through fairs, exhibitions, and shows. The automobile shows of the country are recognized features for the display of "sample" automobiles immediately prior to the spring buying season. The shoe style shows are recognized features for the display of shoe samples to visiting buyers immediately prior to the heavy buying season. Without the proper demonstrations and proper personal contact and advertising at these fairs and exhibitions, however, the use of samples alone would be ineffective.

There are many types of fairs, exhibitions, and shows. In many cities of the country today there are annual radio shows at which the manufacturer or retailer for apparatus and equipment demonstrate and show their product both in the attempt to make direct sales and to create good-will which will result in the future sales of their product. There are business efficiency shows, in which the manufacturers and dealers in office equipment and supplies display their products and provide for demonstration. There are building trade expositions where various kinds of building mate-

rial and the arts and crafts related to building are exhibited in order to create demand for building materials and apparatus. No adequate study has been made as to the actual effect of such shows upon trade.

Fairs and exhibitions range from an important dry-goods fair, involving hundreds of thousands of dollars' worth of goods, and maintained merely for retailers, wholesalers, and manufacturers, to a local food sale in which only a few manufacturers or dealers participate. Many of the fairs show poor results in terms of actual sales or number of prospects obtained during the period of the fair. But the argument is also advanced, at least by the promoters, that the indirect results in the way of prestige and good-will are worth much more than the more obvious direct results. It seems probable that many manufacturers exhibit in these fairs, not because they have any prospects or that they will benefit from the point of view of creating trade, but because they feel that they dare not stay out in competition with other manufacturers of similar products. The reason for exhibition primarily is to prevent dropping backward rather than to go forward toward more efficient production of orders and sales.

During the progress of a periodical or seasonal fair or exhibition, the salesman of the exhibiting companies in the locality are usually expected to be on hand to welcome visitors and to demonstrate their product. On such occasions, they frequently are able to secure the names of prospective buyers, occasionally to make sales, but where the exhibition is open to the general public, the danger exists that the merely curious will occupy so large a portion of the salesman's time that he can accomplish more in ordinary selling work carefully planned than by attendance at the show.

In addition to the temporary fairs sometimes held annually or semiannually, there are some permanent exhibitions of samples which are of interest. Such an exhibition is that of the Bush Terminal Company, and those for building materials. There are no authoritative data as to the

effectiveness of these enterprises. Logically they should be economical in enabling a manufacturer to exhibit samples of his product at important buying points without increasing the expense of maintaining a branch office or store. Without the personal interest of a local representative, however, it is difficult to effect sales merely by reference to a sample stock. More aggressive methods are usually necessary in order to complete the sale and secure the order.

THE AUCTION METHOD

The auction method is to be considered a real method of selling, although it is customary for many to consider it as a method of last resort, as a method of disposing of a product when the owner or producer must get rid of it regardless of price and regardless of the effect upon future business. That this is a wrong conception is proved by a closer examination of the use of the auction method in both foreign and domestic trade. In foreign trade the auction method is used consistently and regularly for a number of important raw materials. The ivory auctions at Antwerp and the wool auctions at London are recognized channels through which wool and ivory are distributed to the world. Besides wool, London has, at intervals, auctions of tea, coffee, hard-wood, indigo, and other products. Amsterdam offers coffee, coal, tin, and indigo at auction. Liverpool has auctions for fruit, rubber, and hard-wood. In a domestic market, the auction method is not common as a regular method of distribution, but important manufacturers of carpets use the auction method each season to dispose of their product. Likewise, fruits and vegetables are sold through auctions in most of the important cities of the country. The unfinished-fur business is operated on the auction plan, regular auctions being held in New York City and St. Louis semiannually. There is thus no reason for considering this method one of last resort, although it is frequently so used.

COMPETITIVE BIDDING AND PERSONAL SELLING

It is not an uncommon practice for those who are in the market for large quantities of goods to ask various sellers for bids. Prospective builders frequently ask contractors to submit bids for portions or all of a proposed building project; municipalities and other government bodies, public utilities, the purchasing agents of large corporations in their endeavor to buy to best advantage on a rational basis, all endeavor to secure bids to form a basis of comparison. If buyers were diligent in securing bids from all who were interested in securing the business, the need for personal selling in connection with bidding would develop from at least three conditions:

1. The buyer does not usually know, nor does he care to ask for bids from, all possible sellers. He may not know which sellers produce or are in a position to deliver the goods he wants. He may know that not all sellers are desirable sources of supply for him. The salesman may find it his function to convince the buyer that his house is a source of supply entitled to participate in bidding, and that his house is, moreover, a good firm with which to do business.

2. Since award is not always made to the lowest bidder, the salesman has an opportunity to demonstrate the superior value of his proposition in such a way as to offset the influence of a lower bid. Since such bids are ordinarily made in secret, so that competitors do not know each other's bids, the advantage of having created familiarity in the mind of the buyer with the service and dependability of the house and its products is evident.

3. Personal salesmanship may be used with other methods to cause buyers to specify in their requests for bids the products which a particular salesman is selling. This implies that before the bids are asked for, the buyer has been convinced that a particular product or its full equivalent, if there is one, is required; and that conviction

is the result of the effort of the salesman in demonstrating to the buyer that his wants will be satisfied in that way.

“PUSH” AND “PULL” SELLING METHODS

Wherever distribution is carried on through middlemen, there will be a certain amount of friction, because there seems to be divergence of interest between the manufacturer, wholesaler, and retailer. Distributors in a broad way have the same general interests as those of manufacturers. The divergence comes in the relation of an individual distributor to an individual manufacturer. The individual distributor may not be interested in pushing the selling of a particular article because it constitutes only one of hundreds or thousands in his stock. On the other hand, a manufacturer is interested because his entire success depends upon the selling of that article. So part of the task of the sales department is to reduce such friction to a minimum. Selling may be regarded both as a “pushing process,” in which sales effort is devoted directly to those to whom the transfer of the article is to be made, and as a “pulling” process, in which the endeavor is actually made to help sell for, or reduce the difficulty of selling for, those who resell. All selling efforts directed at retailers by a company which sells its products to wholesalers may be called “pull” methods. All efforts directed toward wholesalers in such cases are “push” methods. Similarly, a manufacturer who advertises to consumers to create consumer recognition is, in a sense, attempting to “pull” a product through the distribution channel, consisting of wholesalers and retailers, to the consumer.

For instance, a manufacturer who sells soap to wholesalers, who in turn sell to retailers, and they in turn to consumers, may use personal salesmanship as a “pull” method by using demonstrators to consumers, taking orders from consumers which are to be filled by local retailers, or creating a demand which is to be filled by local retailers. Per-

sonal salesmanship may likewise be used as a "pull" method when missionary salesmen are sent to retailers to take orders for soap to be secured from jobbers and wholesalers. There the salesmen are creating a demand which is to be felt not only by the manufacturer, but by jobbers to whom the manufacturer has made the sale. Personal salesmanship in such a case is used as a "push" method in selling directly to a wholesaler. On the other hand, the wholesaler uses personal salesmanship as "push" method in selling soap to retailers, and retailers use personal salesmanship as a "push" method through selling soap to the customer.

Advertising may be used by the manufacturer in trade papers to help sell the goods directly to wholesalers as a "push" method. He may use advertising in trade periodicals appealing to retailers as a "pull" method, for the purpose of inducing retailers to buy from wholesalers. The manufacturer may likewise use advertising as a "pull" method in advertising to create consumer demand. This demand, it is assumed, will be filled by the retailer who in turn orders from the wholesaler. On the other hand, the wholesaler may use the "push" method to sell to retailers and use local advertising of the soap in making sales direct to customers. The manufacturer may also use dealer-help forms. Therefore, it is evident that the distinction between the two classes is not a distinction characteristic of the methods, but a distinction resting upon the purposes or upon the manufacturer in using the particular method. If the purpose is to make direct sales to the one who buys, the method may be classified as a "push" method; if the purpose is to make sales to one who does not buy directly from the seller, the method is that of "pulling."

In brief, successful application of "pull" results in selling *for* a distributor, therefore ultimately in selling *to* a given buyer; push methods aim at selling *to* that buyer.¹

¹The following outline suggests the methods of distribution and means of effecting "push" and "pull."

(Footnote continued on page 450)

SALES CAMPAIGNS

In the sales campaign all the various means of selling are combined in such a way as to effect the purposes of the sales department as a whole. The planning of the sales end of the campaign must include decisions upon a number of points:

1. What is to be done in the campaign; what is the purpose of the campaign?
2. What means of selling are to be used and in what proportion?
3. When are these means of selling to be used?
4. Where are the various forms of personal selling and advertising to be employed?
5. Who are to be responsible for their use?

The purposes of the campaign may be general or limited. The general-purpose sales campaign is one which ordinarily includes the campaign for effecting the work of the sales

(Footnote continued from page 449)

1. Selling "push"
 - (a) Manufacturer to wholesaler
 - (1) Personal selling
 - a) General
 - b) Special
 - (2) Advertising
 - a) Trade papers
 - b) Direct-by-mail
 - (3) Fairs and exhibitions
 - (4) Auctions
 - (b) Manufacturer to retailer
 - (1) Personal selling
 - a) General
 - b) Special
 - c) Demonstrators
 - d) Service
 - (2) Advertising
 - a) Trade papers
 - b) Direct-by-mail
 - c) Periodical
 - d) Dealer help (window display, etc.)
 - (3) Fairs and exhibitions
 - (4) Auctions
 - (c) Manufacturer to consumer
 - (1) Personal selling
 - a) Special
 - b) House-to-house
 - c) Service
 - (2) Advertising
 - a) Direct-by-mail (including mail-order)
 - b) Periodical (magazine)
 - (3) Newspaper
 - (3) Samples
 - (4) Competitive bidding
 - (5) Fairs and exhibitions
 - (d) Wholesaler to retailer
 - (1) Personal selling
 - a) General
 - b) Special
 - (e) Retailer to consumer
 - (1) Personal selling
 - (2) Advertising
 - a) Newspaper
 - b) Direct-by-mail
 - c) Window displays
 - (3) Samples
2. Purchase "pull"
 - (a) Manufacturer to retailer (back to the wholesaler and manufacturer)
 - (1) Personal selling
 - a) Missionary
 - b) Demonstrators
 - c) Service
 - (2) Advertising
 - a) Trade papers
 - b) Magazines
 - c) Direct-by-mail
 - (3) Fairs and exhibitions
 - (b) Manufacturer to consumer (back to retailer, wholesaler, and manufacturer)
 - (1) Advertising
 - a) Magazines
 - (2) Sampling

department for a period of a year. The limited-purpose sales campaign may be used to introduce a new product, to carry on intensive selling work in order to increase sales at some predetermined rate, or to increase sales of a single product which may have been falling behind or whose sale the sales department may wish especially to emphasize. There is a distinct advantage in a careful definition of the purpose of a campaign at the outset, because only by such definition can a proper correlation of the various means of selling be brought about with one another, and only by a careful definition is it possible to determine the relationship of the particular plan to other plans of the business enterprise.

The definition of the means to be used in the selling campaign will, of course, be dependent upon the purpose. A general plan for increasing sales throughout the year will include all of the types of advertising, all of the forms of personal selling, and other means which may be considered effective by the particular sales department.

In more detail it includes a decision as to the number of men to be used in the campaign; the work which each man or each class of men is to do; the types of advertising methods; and decision as to the display of the product of advertising exhibitions; the decision on the use of window displays, resale equipment, and the like.

In settling the third question as to when the various means are to be used, sales managers frequently resort to a layout of the campaign in which its various elements are analyzed and definite dates fixed for such work as follows:

When salesmen are to be hired if new ones are needed

When they are to be trained

When equipment must be ready

When equipment is to be sent out

When salesmen are to be sent out

When routing schedule is to be made out

When advertising copy is to be prepared

When advertising space is to be engaged

- When insertions are to be made
- When to deliver proof to salesmen or executives
- When to engage space for exhibits
- When to exhibit
- When to have dealers' helps ready
- When to have product in quantities sufficient to satisfy anticipated demands

In the next place, the determination of both territories and the assisting advertising will be dependent upon the size of the campaign and the area over which the campaign is to be made effective.

In regard to salesmen, the routing schedule takes care of the location of calls to be made, but provision must be made for supervision of salesmen from points sufficiently near for satisfactory territorial coverage. In determining the personnel to carry out these tasks, the most difficult problems are encountered. The selection of salesmen for particular tasks is only one aspect of the broader problem of selecting men for specific vocations.

Selection of officials and delegation of responsibility to particular officials for execution of all, or of a portion, of the campaign will frequently determine the difference between success and failure. It is obvious in sales campaigns that planning is necessary for the best results, just as effective performance is indispensable. The salesmen's work in the campaign will bring results in proportion to the care in determining the objectives and making plans which are directed toward their accomplishment.

XVII

THE RELATION OF PERSONAL SELLING TO ADVERTISING

Functions of advertising. The organization and management of advertising. Advertising campaigns. National advertising. Local advertising. Direct-mail. Dealer help. Other mediums.

As a selling medium, advertising is much more recent in its development than is personal selling. Its rise was conditioned by the development of printing but was not coincident with it; in fact, until the nineteenth century and the development of the newspaper and magazine, advertising in its present form was practically unknown. Today advertising constitutes the second great selling medium and involves the expenditure of over a billion dollars a year.¹ The definition of advertising, that it is "selling in print," is sufficiently precise for our purposes, though, like the definitions of personal selling, some writers of advertising tend to insert in their definitions their views of desirable forms of advertising; for instance, in the definition, "Advertising is purchased publicity directed according to a definite plan

¹ In 1920, the following estimate was prepared:

Newspapers	\$ 600,000,000
Direct advertising	300,000,000
Magazines	150,000,000
Business papers	70,000,000
Novelties	30,000,000
Foreign papers	27,000,000
Directories	20,000,000
Window display	20,000,000
Billposting	20,000,000
Street-car cards	11,000,000
Programs	5,000,000
Motion-pictures	5,000,000
Total	\$1,258,000,000

While most of the above figures only represent an estimate (such items as direct-by-mail advertising and window displays cannot be accurately determined), the total is probably very conservatively stated—Starch, Daniel, *Principles of Advertising*, A. W. Shaw Company, Chicago, 1923, p. 741.

to influence people to act or to think as an advertiser desires."¹

The importance of advertising need not be emphasized particularly by reference to the amounts spent for it. The most recent estimates of expenditures for newspaper advertising show that there are 10 concerns which spend more than \$1,000,000 each in newspapers alone with 90 more spending more than \$100,000. Likewise with reference to magazine advertising, there were, in 1924, over 60 companies which spent more than \$300,000.² But these estimates do not include other forms of advertising, such as direct-mail, dealer helps, and the like, which bring the total expended for advertising up to the figure given above.

The business man, however, should not be astonished at this figure but should compare it with the still larger figures representing the expenditures of personal selling involved for the maintenance of salesmen in the field, as well as for the supervision and equipment of those salesmen. Any relative estimate of personal selling and advertising should be based on a study of the relationship of the work presumably accomplished by personal selling. This immediately suggests a study of the functions of advertising. Only by an examination of the functions and accomplishments of advertising, can its relationship with personal salesmanship be determined.

¹ Brewster and Palmer, *Introduction to Advertising*, A. W. Shaw Company, Chicago, 1924, p. 8.

² The 10 leading newspaper advertisers for 1924 were, according to the American Newspaper Publishers Association, those listed below, to the left. According to a report of the Crowell Publishing Company, the sums listed to the right, under "Magazines," were spent in 31 of the leading magazines (carrying 90% of the total magazine advertising of the country) during 1924.

NEWSPAPERS

(In thousands of dollars)

1. Ford Motor Co.	\$2,000
2. Victor Talking Machine Co.	1,900
3. Chevrolet Motor Car Co.	1,650
4. American Tobacco Co.	1,600
5. Liggett & Myers Co.	1,500
6. Standard Oil Co. of Ind.	1,500
7. Calumet Baking Powder Co.	1,400
8. Wm. Wrigley, Jr., Co.	1,250
9. Dodge Brothers	1,200
10. Paige-Detroit Motor Co.	1,000

MAGAZINES

(In thousands of dollars)

1. Campbell Soup Co.	\$1,519
2. Procter & Gamble Co.	1,409
3. Lever Bros. Co.	1,339
4. Postum Cereal Co., Inc.	1,275
5. Victor Talking Mach. Co.	1,184
6. Congoleum Co.	1,122
7. Colgate & Co.	1,158
8. Willys-Overland Co.	859
9. Palmolive Co.	785
10. Andrew Jergens Co.	778

FUNCTIONS OF ADVERTISING

The ultimate purpose of advertising, as is the ultimate purpose of personal selling, is that of bringing about economic exchanges. But it is recognized by students of advertising that it may be impossible, or uneconomic, if possible, for the advertiser to attempt to accomplish the entire process of effecting the sale without the aid of other forms of selling effort. Occasionally, it is possible for a seller to use advertising exclusively, but such successes are exceptions rather than the rule.¹

The vast majority of advertisers are compelled by economy to combine personal with printed salesmanship, because advertising can carry on certain portions of the selling process more economically and effectively than can salesmen, while other portions can be performed by it only with difficulty. Advertising can develop recognition of a product or recognition of a seller of products more economically and more widely than can salesmen. Advertising may go farther and develop some interest in the product as a prospective means of satisfying wants and in the house as a seller. Nevertheless, advertising is generally unsuccessful in developing such recognition and interest to the point of completed transactions. In other words, advertising may furnish a definite starting point as a basis for the work of the salesman but cannot usually complete the task without his aid.

The purposes of advertising, viewing them from the re-

¹Pepsodent became one of the three or four leading brands of tooth paste within a very short time after its appearance upon the market, entirely through the use of advertising. It is stated that the company has never used salesmen to increase or stimulate the sales of this product.

The Postal Life Insurance Company undertook, about 1905, to sell life insurance by mail. The business grew slowly but steadily. By 1918 the company had \$40,000,000 worth of business on its books, most of which was the direct result of advertising.

In 1917 the Oliver Typewriter Company decided to sell its machines without the aid of personal selling. It cut its price and advertised extensively. Sales have remained very satisfactory, although the company in 1922 reengaged a few salesmen, who spent most of their time on service work.

relationship of the salesman, may be more specifically stated as: first, developing consumer recognition which will make it easier for the salesman to direct attention to the product when approaching a buyer who has read the advertisement. The retail salesman finds it much easier to sell an advertised product because the customer has some previous recognition and a certain familiarity or curiosity about the product. The wholesale salesman finds it easier, when selling to retailers, to sell an advertised goods both because he can attract attention more easily to it and because the advertising tends to increase the facility with which the product can be resold so as to yield the profit which the retailer desires.

Second, advertising may be and is used to develop goodwill for the seller, which will make it easier for the salesman to gain access to prospective customers and which will establish confidence in the minds of prospective buyers as to the standing of the seller.

Third, advertising tends to create confidence on the part of the salesman in his own house and greater knowledge of the product and its relation to buyers' wants. If he understands the function of advertising, he realizes that proper advertising tends to increase the effectiveness of the salesman's work and to make it possible for the salesman to accomplish more for himself, his house, and for the public than otherwise. If advertising does not increase the effectiveness of personal selling, and vice versa, and if advertising does not decrease the cost of distribution for the selling department of a business, it is not justified. It is necessary, in consideration of any particular advertising policy, to take a long-run point of view.

The fourth argument for advertising, from the view-point of the salesman, is that a consistent advertiser is developing and continuing a good-will for the house which tends to offset seasonal and cyclical fluctuations in business, so undesirable both from the view-point of the factory and from the view-point of the salesman himself.

In general, the purposes of advertising, of course, are to increase the sale of the product, to develop the good-will which will reduce future marketing costs, and to develop economy in distribution.

The salesman who regards advertising as a supplementary form of selling effort will find much material in advertising which will be of help to him in his selling work. Today advertising campaigns are being planned more carefully with reference to the effective selling points of the product and the effective means of developing good-will for the house. The most carefully planned campaigns are worked out on the basis of extensive analysis and intensive study, for the purpose of determining, with as great precision as possible, the appeals which will be most effective in developing consumer recognition and desire. The salesman who studies the advertising of his company carefully, therefore, gets definite information as to the opinion of the advertising department and of the advertising agency on those points which are most likely to be effective in actual selling. It behooves the salesman to check up his own experience with these conclusions, making reservations, of course, in his own mind on the basis of his own study regarding the effectiveness of his own selling appeals.

On the other hand, advertising is sometimes not carefully planned, and when not carefully planned, it may not be at all effective in helping the salesman in his work. In other cases, advertising may have proved effective enough to reduce materially the salesman's work. Salesmen who have been accustomed to a greater responsibility and a greater difficulty of selling become dissatisfied and feel that advertising tends to take away their income and to reduce their work to a routine of an undesirable sort. It is conceivable that the particular combination of advertising and personal salesmanship which may be effective in certain cases is one in which a large amount of advertising with a corps of salesmen with lower average ability will accomplish distribution most economically. But, if distribution can be

accomplished most effectively this way, it is inevitable that the salesman who has greater abilities than are required for the job should become dissatisfied if he has ambition, and seek to find another type of selling which will be more nearly suitable to him. A shift in that direction is much more satisfactory from the view-point of the public, and eventually from the view-point of the salesman himself, than an attempt to remain with a concern which is using personal salesmanship exclusively, with the possible result of higher distribution costs. Eventually such a company will suffer from competition, and the salesman will suffer with the company in the increasing difficulty of making sales at necessarily higher prices. In other words, the attitude of the salesman should be one of helping his house determine that combination of advertising and salesmanship which will be most effective in selling goods. If salesmen generally would do this, there would be a rapid advance in our knowledge of relative effectiveness, and salesmen would benefit directly by coming into those positions for which they are best fitted; and, indirectly, by the fact that the distribution of commodities would become more economical.

THE ORGANIZATION AND MANAGEMENT OF ADVERTISING

The control of advertising is usually made the function of a specialized official, the head of the advertising department. His title is usually that of advertising manager. Organization policies of business enterprises vary with reference to his position in the enterprise. Sometimes the advertising manager is subordinate to the sales manager, the management recognizing that effective selling depends upon full and common-sense coordination of advertising with personal selling. Just as frequently, the department is operated as a separate department, not coordinated with the sales department and having as much independence and responsibility as the sales department, in carrying on its

work. The outcome of such independence is all too frequently a failure to bring about a correlation of the plans of the two departments. The advertising department features a particular article in its advertising at a particular period, without the knowledge of the sales department which, of course, has failed to provide stocks and to sell sufficient amounts to dealers. Thus when an advertisement has created interest and product recognition, that recognition cannot be utilized. The result is that neither the advertising department can make a show of results nor can the sales department derive the benefit of this supplementary effort.

There should be definite plans for coordination between these two divisions of every business enterprise. This coordination may be effected by the official to whom the advertising and sales departments report, but it cannot be effectively brought about unless there is a recognition on the part of the sales manager and the advertising manager themselves that they are working for a common purpose. And the definite means of correlation at the top may come through the personal contact of advertising and sales managers without pressure from above. It should come also from the making of definite schedules providing for the cooperation of the sales department with the advertising department in carrying out campaigns, and for the cooperation of the advertising department with sales in making its work more effective. The specific points in which great care should be taken to see that there is complete cooperation are (1) the choice of mediums which will reach the customers called upon by salesmen; (2) the timing of particular campaigns; (3) careful planning of sufficient stocks; and (4) the furnishing of equipment to salesmen to correlate with consumer and retailer advertising.

ADVERTISING CAMPAIGNS

In the planning of an advertising campaign, the first step which the advertising department, with or without the

cooperation of the sales department, must take, is that of determining the market which is to be reached. In this respect, advertising does not differ, and cannot differ, from personal selling. But, the market which the advertising aims to reach is the broader market, the market consisting of a list of possible buyers, and, consequently, instead of attempting to get full information about the individual buyer, the advertiser is satisfied to get information which represents a type.

The second step of the advertising department is to determine the appeals which are to be used in the advertising campaign. The determination of these appeals is frequently made on the basis of the judgment of the sales department. The wise advertising department and agency keeps in close touch with salesmen, and with the market itself by sound research, so that the appeals which they finally select are not only those which are theoretically sound, but which have been proved, by observation and experiment, to be effective. Thus, the working out of these appeals, to develop interest in the product and in the house, is frequently a very difficult task, one which requires a very high type of imagination and knowledge of human nature.

Just as the salesman must, from the list of information which he learns about his product, select those points which are most effective as talking points and adapt them to his market, to the buyer, so the advertising man must consider human nature and knowledge of his product as the basis for choice of successful appeals.

Too often advertising is thought to consist primarily of the third step; that of making the detailed plans and preparing the copy. Once the market has been determined, and the appeals to be stressed have been selected, the chance for error in developing the advertising copy itself is greatly lessened. The planning of the advertising also includes the choice of mediums and the making of estimates of cost, which is followed, of course, by the actual execution, and the release of the advertising in its final form.

The work of the advertising department, however, would be ineffective in many cases if it went no farther than planning the advertising and executing the advertising plan, unless that planning and execution considered the relationship which the advertising department bears to the sales organization, and to the trade. The advertising department must, therefore, make definite plans for the release of advertising at times when the sales department can follow up the advertising to make it effective, at times when dealers may be approached and carry stock to fill the demand. Salesmen need to be furnished with knowledge of advertising plans, and with equipment which will enable them to demonstrate to dealers the character and extent of the advertising being carried on, or to be carried on. The salesman who is introducing a new product will find his task lightened if he can present definite plans for continued advertising of the product. In fact, a salesman who is not furnished with such advertising will find many retailers and wholesalers who refuse to add new lines, or certain types of products, unless their resale is facilitated by advertising.

NATIONAL ADVERTISING

Advertising mediums are usually classified according to the nature of the medium, such as magazine, newspaper, direct, billboards, street-car, program, novelty, with additional minor classifications for such mediums as motion-pictures and directories. Magazines may be subclassified as general, weekly, women's, farm, and trade. Newspapers may be subdivided according to the time of their issue; that is, morning, evening, and Sunday, or again, daily, tri-weekly, biweekly, or weekly. Even direct advertising may be classified as card, circular, letter, house organ, or catalog.

Much of the advertising which is of most direct service to the traveling salesman is called national advertising. This method of aiding personal selling has been used for a number of years, but it has only been during the last ten

that its value has been widely realized. The result has been an almost phenomenal growth in the size and number of nationally distributed magazines. One weekly, one general, and at least two women's magazines publish over two million copies for each issue.

National campaigns are today characteristic of the policies of many of the more progressive manufacturers. One campaign, for example, may include advertisements appearing simultaneously in upwards of 100 different magazines and trade papers. In such a case, there is great duplication, because the average number of magazines per magazine-reading family in the United States may be as high as 3 or 4; but, through careful choice, different groups of prospective purchasers are picked out by selecting so-called class mediums. One advertisement for tooth paste might reach 75,000 doctors, while another might reach 50,000 retail druggists. A company manufacturing tires might use separate mediums, going directly to bankers, golfers, purchasing agents, farmers, garage men, women, and so on.

Such advertising may be carried on at little or great cost, depending upon the type of the article sold, the method of selling, custom in that trade, and the financial standing of the advertiser. It would obviously cost more to advertise nationally a popular make of automobile than an equally successful brand of hammers. On the other hand, a staple article, such as print cloth, for example, does not have all the qualities necessary for successful national advertising that does a small cake of soap.

The method of selling is also of importance in advertising nationally. The manufacturer who distributes through a sales agent, a merchandise broker, or even the general wholesaler, cannot get as complete results as can the producer who sells direct to the retailer. It might be said that the greater the sales resistance, the greater need for such sales help, but no manufacturer can ignore total expenses beyond a point which is soon reached. National advertising takes

very few manufacturers out of competitive merchandising. The products of a clothing manufacturer may be priced above the market, as a result of continued national advertising, and consumer recognition; but while they may not compete with the output of other manufacturers of clothing, which is very seldom the case in any industry, they do compete with a new car, a vacation trip, repairs on the house, and such, with the result that the manufacturer does sell in a competitive market which can become as stubborn as the one of 1921.

Custom plays a big part in determining the amount of advertising which is used to assist the salesman. Take the automotive industry, for example. Few manufacturers coming on the market with a new car would think of using less than full- or double-page spreads. The same is probably true of automobile tires, men's clothing, and many other types of articles. Many manufacturers, for instance, use national advertising for no other reason than it is the custom in their trade. Others refuse to have anything to do with it, because such a method of sales assistance is considered undignified among the members of their trade.

Finally, a national advertising campaign must fit the resources of the advertiser. Irrespective of the product, method of marketing, or even custom, a responsible manufacturer will not contract for more space than he can pay for. There are one or two producers of automobiles who use quarter- or half-pages, for example.

Carefully prepared and thoughtfully executed national advertising offers several advantages to the salesman. In the first place, it creates consumer recognition. Some of the more enthusiastic adherents of this method of merchandising claim that it creates consumer demand. However, with all the national advertising in the modern magazines, few consumers insist upon purchasing a particular brand even if expensive. Those very advertisers who object to wholesaler and retailer substitution, consciously or unconsciously realize this situation. The reputation of the whole-

saler and the retailer is to be reckoned with, and their word, in favor of an article which is in stock, when a call is made for one which is out, is usually all that is needed to "swing" the sale.

From this point of view, however, the value of national advertising comes in the recognition of a brand name or a carton, when the retail clerk, in answer to the query, names a well-advertised article; or when a customer sees, on the shelf, the carton which she saw advertised in her magazine. Such recognition shortens the time consumed in making a sale. It reduces the sales force expense, the largest single item in the expense account of practically all types of retailers.

This suggests the second advantage of national advertising to the salesman. The retailer, or the wholesaler, also sees the advertising. He has a few calls for the product. He often realizes that he can sell advertised goods to his customers at a smaller selling cost than he can force unknown items on the market. The salesman, when he calls upon the retailer, or the wholesaler, finds that he has been introduced by the advertising. The national advertising has built up good-will for the product among the distributors, as well as the consumers. The retailer is not going to demand the article, that is true, but he will at least recognize the product and, possibly, the manufacturer and his policies. National advertising, prepared as a part of the whole scheme of distribution, will create consumer recognition. National advertising and consumer recognition will, in time, create retailer and wholesaler recognition.¹ If the product has merit, the salesman should be able to sell it at a profit to both himself and his company.

¹ Many manufacturers who advertise nationally prepare manuals or portfolios containing advance copies bearing the imprint of the periodicals in which they are to appear, together with the date of publication. Such material can be effectively used in showing a particular retailer not only what the company is doing to help him sell, but even how many readers of those magazines in which the advertisements will appear, live in his city. A few companies even go so far as to require their salesmen to spend a major part of their call "selling" the advertising to their prospects.

In the third place, national advertising has a retroactive force. Once a national advertiser has made public certain claims about its organization, policies, and products, he assumes a great responsibility in meeting these claims. If he advertises a product of certain qualities, the salesman can go out with greater confidence that those qualities will be found in not only the sample which he carries, or the order which is placed today, but also in the reorder, next trip, which is the one upon which he makes his best profits.

Ordinarily, in the fourth place, the traveling salesman selling goods which are continuously advertised on a national scale will not feel the effects of seasonal and cyclical changes as will the man who has to depend entirely on his own selling efforts. One clothing manufacturer increased his production period from 32 to 48 weeks partially through the judicious use of national advertising, which was coordinated with new sales policies. The sales peaks were reduced, while the quiet seasons were stimulated. Among others, several clothing and shoe manufacturers have used this method of selling to assist in evening out their business, with the result that their salesmen spend more time on the road, have larger total yearly sales, and receive larger incomes.

Finally, most salesmen can take a well-deserved amount of pride in working for an organization which advertises nationally and whose name is on the lips of millions. Their pride, in being a part of a well-ordered and intelligently managed organization, gives them the confidence needed to make continually better records.

The salesman occasionally meets objections to national advertising. The most usual one is that it costs too much. Some retailers maintain that if the money spent in such advertising were saved, the price to the retailer would be materially reduced. To some of them, national advertising seems a vague something which confronts them in terms of higher costs. They hear that one center spread in the

Saturday Evening Post costs \$17,000, or that one company spent about \$7,000,000 during one year, largely for national advertising. They do not stop to figure that the advertising cost of a 10-cent cake of Ivory soap, for example, is approximately three-tenths of 1 cent, or that for a \$25 Kodak, about 75 cents. In general, the average expenditure for all kinds of advertising employed by the manufacturer is about 3% of the retail sales price.¹

A second objection with which the salesman may have to contend occasionally is the one which has already been suggested: "My customers do not read those magazines—that advertising doesn't do *me* any good!" There are two replies to this. In the first place, the advertising departments in some organizations prepare a schedule of all the cities in which their salesmen are calling, and then determine the total number of subscribers taking the magazines in which the advertising will appear, who live in those towns. An increasing number of national mediums are making this information available for their customers.

The other reply is an attempt to cooperate further with the retailer in creating a recognition not only for the product for sale, but for a particular store or group of stores, as the immediate source of securing that product. The result is either national advertising which appears in metropolitan newspapers or local advertising which is prepared in direct cooperation with the local dealers.

Manufacturers began to use groups of metropolitan newspapers as mediums for national advertising about the time national advertising became a popular method of sales assistance. The United States is divided into zones or territories, and newspapers are selected the circulation of each of which reaches one of these zones. Since newspaper advertising costs much less per 1,000 subscribers than that placed in national magazines, either the same market can be reached at less cost or a larger market can be reached at

¹Starch, Daniel, *Principles of Advertising*, A. W. Shaw Company, Chicago, 1923, pp. 49 and 56.

the same cost. Such advertising tends to give very intensive distribution within the city where the newspaper is published, although it may not reach even as many readers in the outlying sections of the zones as magazines which have a more even sale.

While magazines offer several advantages to advertisers, such as greater prestige, higher quality, longer usefulness, and color, newspapers are probably of more direct aid to the traveling salesman. In the first place, advertising can be prepared and inserted, and action can result from newspaper advertising much more quickly than from many other types. Today it is even possible to prepare the copy and illustration in New York City, one evening, for publication in the next morning's paper published in San Francisco. Any sudden change in price, models, or in sales or production policies can be announced through advertising. Such action may save the salesmen some explanation or embarrassment, and much time.

In the second place, a newspaper appears more often than a magazine. A manufacturer can make a fresh appeal every day for a week, or he may insert an advertisement every other day twice a week, depending on business conditions, time of season, or the rate of production. The newspaper, as a medium for national advertising, is more flexible than the magazine.

The newspaper is more widely read than the magazine, although magazine circulation is increasing very rapidly at the present time. Many potential customers of certain widely distributed products rely much more upon the daily paper than they do on periodicals. In fact, many foreign-speaking dealers probably read little else than foreign-language, American-published papers.

Another great advantage of the newspaper to the traveling salesman is that it has a localized circulation. More circulation per 1,000 inhabitants can be purchased in one zone than another, if the market resistance is high or competition is strong. A company may apportion its advertising

appropriation according to the location of its potential market. If 80% of the homes are wired in one state while less than 10% are wired in a second, the population being about equal, it would pay an electric appliance manufacturer to spend a larger sum for advertising in the former. The increased appropriation may be spent by using more issues, although usually it is used to buy larger space.

By using newspapers, the advertiser can carry on, in the fifth place, a national campaign and yet localize his copy to fit conditions in each zone. The advertisement may picture a local scene or its copy may center around some news item of local interest. In this way, the advertisement in a local or personal setting is of much greater value.

Finally, this feeling of local pride is augmented merely by the use of a local medium. The "home town" paper is much more personal and, in many respects, is of greater value in securing retailer or wholesaler good-will and cooperation than almost any other medium. The mass appeal of advertising is individualized by the localized circulation of the newspaper. It is estimated that today as much money is spent for national advertising appearing in newspapers as there is spent in all the magazines.

There is a phase of this method of assisting personal selling which is growing in importance and is of great aid to the salesman who is helping to introduce a new article or an old-established one into new territory. Many manufacturers today realize that there are at least two obstacles in the way of obtaining national distribution overnight. In the first place, it is impossible to double or treble production in a short period. In the second, national distribution involves many selling problems which cannot be immediately swept aside. There are such problems as the selection, training, equipping, and expense connected with the salesmen. A list of prospects with good credit standing cannot be secured without the cost of time and effort. The result has been, therefore, that many concerns wishing to expand, have done so territory by territory. Starting out in

New England or in New York City, for example, they have picked from their regular force or have selected and trained a group of new men who, as a group or gang, work the territory together. Oftentimes they make deliveries at the time of sale. Usually a newspaper campaign precedes all the sales efforts, and is adjusted from day to day to fit into the sales program. Very often, the salesman solicits orders with the understanding that the name of the prospect will appear in the advertising, beginning with the next issue and remain there for the rest of the campaign. In this way, a carefully and intelligently planned campaign will coordinate consumer recognition, retailer good-will, and the salesman's activities. The goods will be on the shelves of the dealer when the advertising is fresh in the minds of the consumers; resulting in economical distribution. Some companies have spent as much as two years in territorial expansion, with the result that an article which has a wide distribution in one section may be unknown in another. National advertising in magazines would have been economically unprofitable until distribution was reasonably complete, but by use of newspapers, the use of this medium can keep pace with production. Of course, it must be realized that the problem is not solved when the retailers have all been stocked. Since this method of introducing a new product, for example, is very expensive, there is no economical basis for it unless the advertising is continued or the retailers assisted to the point where they can clear their shelves and reorder.

LOCAL ADVERTISING

A second method of even closer cooperation between the advertising manufacturer and the retailer is that of local advertising which is carried on by both parties. The extent of the cooperation depends upon the policies of the company, the needs of the locality, and the willingness of the dealer. Some manufacturers, especially those distributing their goods under an exclusive-agency plan, may contract,

at the beginning of the year, to spend a definite amount for advertising in the territory of the exclusive agent. Sometimes the amount is proportioned according to the amount of sales. In other cases, the retailer pays for that part of the advertisement which contains his name. Usually, however, the manufacturer prepares the copy and pays the larger share of the total costs, including insertion after proper vouchers have been received from the retailer.

In an increasing number of cases, the manufacturer will prepare or approve copy which is prepared by the retailer, giving all or practically all its space to advertising the products of the manufacturer, although the name of the manufacturer may not appear, or, at least, not in large type.

Ordinarily, however, there is no contract, agreement, or verbal understanding. The manufacturer prepares advertisements of different sizes, type faces, appeals, and so on, and makes electros or papier-maché matrices for the use of his customers.

Sometimes elaborate portfolios are prepared which may be carried by the salesmen. They may be required to spend a good share of their sales calls, merchandising this advertising help. Usually, it is given to the dealer who requests it from the salesman, through the wholesaler, or direct from the advertising department of the manufacturer. Sometimes, part and occasionally all the costs are passed on to the dealer. This service which the manufacturer offers the retailer may be of great value, if handled intelligently. Many retailers feel the lack of time for the preparation of local advertising and welcome any real assistance. The difficulty seems to be, however, to select appeals which are of local value and to leave plenty of room for the name, address, and incidental remarks which the individual retailer himself will wish to insert.

Other mediums than magazines and newspapers may be used in securing national distribution. Local advertising can appear in a variety of forms. These two, however, are probably used most often by the larger national distributors.

DIRECT-MAIL

Direct-by-mail advertising is seldom used in a national way. It includes cards, letters, circulars, house organs, and catalogs. Many houses use various types of cards to announce the approaching arrival of their salesmen. They write letters of appreciation and acknowledgment upon the receipt of an order. A series of letters may be worked out as a part of a national campaign and used to acquaint individual prospects with the sales proposition which a salesman will later present in person.

The salesmen of one company are asked to check on a card the reasons for each failure to make a sale, which is mailed to the advertising manager. He has a series of form letters, picks out the appropriate one, and assists the salesmen between calls. A second company manufacturing expensive equipment, has a series of follow-up letters, each one based on some major sales objection. These are mailed out at the request of the salesmen.

Various forms of circulars are used by practically all manufacturing concerns employing salesmen, as well as many wholesale and retail organizations. They may announce a new line, picture a new model, announce some new advertising help, or carry any of a great number of sales messages to all types of customers. Their cheapness is one reason for their popularity; but through carelessness a great deal of the money invested in this type of advertising is wasted.

Catalogs, which are used by a few to eliminate personal selling, are used by a much larger group as important aids to the salesman. In some trades, he may only call upon his customers once or twice a year. The increasing costs of selling have helped to cut down the number of trips. Carefully prepared catalogs are of assistance in such cases. Through their use, regular customers, or any one else interested enough to inquire for one, are given an opportunity to send in fill-in orders at any time. This works no hard-

ship, usually, on the commission salesman, since most organizations allow full commissions on such mail orders.

Originally, the purpose of house organs was to bring the working force of an organization closer together through the publication of news and pictures of mutual interest. In several instances this group was increased to include some or all the distributors. Today, some organizations selling expensive equipment such as X-ray machines, or high-priced consumers' goods such as automobiles, regularly send house organs to the consumer for a limited period of time. One manufacturer of X-ray machines sends them to prospects when requested to do so by the salesman. Such advertising not only makes the selling work of the salesman much easier, but it helps him keep the good-will of his customers and not only secure their repeat orders, but the names of new prospects.¹

The advantage which direct-mail advertising has over both magazines and newspapers is that it can be directed toward a particular set of prospects, individually selected by the seller. A list might consist of only one name,² or it might include 100,000.

There are two main problems involved in its use, however. First, in the selection of the mailing list, and second, its cost. Mailing lists may be purchased outright from companies, whose business it is to gather, sort, and prepare them for sale. More often, however, a company selects the names in much the same manner that a salesman se-

¹ A salesman representing a large house manufacturing X-ray machines, reports that he gets about 15% of his prospects from the advertising of the company, 25% from satisfied customers, and the remaining 60% from his intimate knowledge of his territory and "prospecting."

² A few years ago, a company selling equipment wished to reach the president of a large organization located in New York City with its sales message. It felt that, given an opportunity, a large and profitable contract could be secured. The repeated attempts of the best salesmen in the organization failed. The president could not be reached. Finally a complete advertising campaign was prepared, with the one purpose of reaching this one man. It included elaborate booklets, beautifully illustrated, large space in a New York City newspaper the man was known to read, and cost in the neighborhood of \$1,000 to execute. The result was that the salesman was given an audience and made his sale.

cures his list of prospects. A mailing list, however, is a very expensive tool, if it is not kept up-to-date. It is estimated that 20% of the names or addresses on the average consumer list need to be changed during the period of one year.

The cost of maintaining the mailing list is only a small part of the total which includes the time of the stenographic force, letter-heads and envelopes, enclosures, and postage. While an advertiser can reach a more carefully selected list, the cost of a series of mailings may be so great that unless they are very carefully prepared, the selling cost will be unusually high while the results will be disappointing to the salesmen.

A manufacturer may use direct-mail to assist his customers to sell. A manufacturer of hand tools distributes through wholesalers, but, periodically, he prepares mailing campaigns on the letter-heads of these distributors, sending them to their customers, the retailers. If properly handled, such assistance is an additional selling point in the hands of the salesman and its continuance results in increasing the good-will and cooperation between the buyer, the salesman, and the house.

DEALER HELP

Dealer help is the name given to another form of cooperation between the manufacturer and the retailer. It may take the form of window displays, interior displays, or merchandising assistance. Many manufacturers furnish large posters, cards of both simple and elaborate design, empty cartons, and similar pieces of advertising for window display. They range from a one-color poster to a complete window trim. The problem is to get window trims into the window. If they are sent with an order of goods, the retailer may throw them aside because they do not fit his window, because he is displaying some other product at the time, or because they would not attract the class of trade to

which he caters.¹ When the dealer is asked to make his request in writing, he may do so with the idea of securing all he can, using only the better ones.

Manufacturers have tried various plans to overcome this handicap. Some have tried making a small charge; others send portfolios picturing the display; others require their salesmen to trim the windows themselves; while still other producers, having wide distribution, employ gangs of men whose sole business is to trim windows. In order to help the dealer as much as possible, and to get as few turn-downs as possible, such trims, which are usually easily adjusted to windows of various sizes, often permit the retailer to include articles not made by the assisting manufacturer. Some dealers are very glad to have this work done for them, and look for it as a part of the legitimate selling effort of the manufacturer.

Interior displays may be ingeniously arranged containers or folded cartons; they may be wall posters, costly display cases, or sample racks. Counter display racks have become very popular and, because of their great value in displaying convenience goods, have been used to increase the sales of all types of goods large and small, with the result that the retailer is beginning to complain that his store is all cluttered up with them. Such selling aids are found more frequently in the smaller stores than in the larger. The same thing is true of posters. The fate of specially designed showcases is little better. One made to sell one brand of fountain pen is used to display a competing line. Another which has a mirror on the outside and was built to contain hairnets, contains goggles. Such expensive dealer help seldom seems to serve its original purpose long. Of all types, the sample rack, wall-board diagram, or piece of selling equipment such as twine holders, wrapping paper, paper sacks, letter-heads and envelopes, gummed tape, and so on,

¹The manager of a large hardware store located in an eastern city reported that he used about 10% of the window trims which he received and most of those were ones which he requested, ordinarily at considerable expense to himself.

seem to be appreciated most. Even though the retailer has to pay part or all of the costs, he usually realizes the value and makes the greatest use of such assistance.

Finally, there is an increasing amount of dealer help offered in the form of expert merchandising service. One wholesaler may offer to put in up-to-date accounting systems for his customers. Another may study the layout of the stores of his customers. Many manufacturers, through their salesmen, as well as the mail, dispense a great deal of information on merchandising. The salesman plays a large part in this dealer education and can increase his standing with his customers materially, if he is able to give sound advice on purchasing, styles, business conditions, and other problems of the dealer.

Dealer help manifests itself in many ways. Whatever the method, however, it is an expensive means of advertising, if it is not prepared intelligently, or is never used by the dealer who throws it to one side, feeling that it will not fit into any of his advertising plans in the near future. Such cooperation pays the manufacturer only if the retailer experiences greater efficiency, larger sales, adding to the good-will between the buyer and seller. This will only come about if the retailer needs such assistance and makes use of it.

OTHER MEDIUMS

The other mediums available to a manufacturer, such as posters, street-car cards, and novelties, are used largely to gain consumer recognition and distributor good-will. Posters, for example, most of which are controlled by a few national associations, have played a large part in extending the business of a limited number of products. A few concerns spend practically all of their appropriations for such advertising. One increasing difficulty, however, is the growing prejudice of many against this type of advertising. Street-car cards, another form of "outdoor" advertising, serve practically the same purpose. They have been used ex-

tensively by some, especially in the larger cities where large subway and elevated positions are available.

Novelty advertising is considered quite a problem, not only by some sellers but by many more buyers. Should a salesman or his company make a gift to a prospect, of a sample of the product to be sold, an expensive pocket-knife, or even an elaborate calendar? Many organizations refuse to allow their employees to accept such "gifts." Many more draw the dividing line according to the assumed motive of the sender, or the cost of the novelty. The purchasing agent of a company in the market for fire extinguishers might be under obligation to return a fire extinguisher sent him for use in his own pleasure automobile, while he might accept a needed paper-cutter, or desk pad without question. Practices are different with various organizations.

Any or all of these selling aids may be wasted, if they are not planned as aids to the salesman and are not tied in with the sales policies under which the sales department operates. On the other hand, however, no matter how carefully they are prepared and no matter how well they might help the salesman, if he does not use the various forms of advertising, if he does not let them carry that part of the sales program which they can perform most economically, the aid is wasted. Most salesmen are eager to secure the assistance of all appropriate forms of advertising. The few who are not, are fast finding that newer and less experienced men are passing them, both in value to the firm and in earning capacity.

XVIII

THE SELECTION OF SALESMEN

Recruiting salesmen. Qualifications of salesmen. The interview in hiring salesmen. Rating scales in hiring salesmen. The application blank. Psychological tests in the hiring of salesmen. Other methods of selecting salesmen. Employment procedure. The salesman's contact with his employer.

THE salesman enters upon his work ordinarily as the result of an agreement between himself and the employer, whereby the salesman contracts verbally or in writing to perform selling and other duties for his employer. Much depends upon the conclusion of this agreement. Both the salesman and the employer are taking risks in making the decision. It is a decision of great importance both for the man and for the house, although the fact is not generally appreciated by either. The salesman is too frequently careless about selecting the firm for which he is to work, and the employer is much too careless in selecting the salesman who is to work for him. The risk taken by the house in hiring a representative, who may not efficiently and effectively represent the firm in terms of sale or in terms of good-will, becomes clear to any executive who thinks over the matter. A poor or dissatisfied salesman may do the employer irreparable injury. On the other hand, a good salesman may enhance the reputation of his house and enable it to grow. Not a few firms owe their first growth and continued success to the earnest efforts of a corps of salesmen who worked together for the common good of the enterprise with the long-run point of view in mind. On the other hand, nothing can tear down the reputation of a house more rapidly than a force of unfairly treated, disappointed, and possibly incapable salesmen. It is to the interest of the house to have salesmen who are loyal partners in the

enterprise, loyal because they have been fairly and justly treated and have every reason to believe that they will continue to be so treated. It is to the interest of the employer to have only those men on his force who are happy in their work and who honestly believe in their work. It becomes clear, therefore, that the interests of the employer and the interests of the salesmen are to all intents and purposes identical when it comes to the problem of hiring salesmen or the problem of the salesmen getting positions with given concerns.

It is the problem of the employer to select men who will be loyal, honest, and as intelligent as is necessary for the work to be done; in short, to select men who have the qualifications which will insure them success and happiness in their new connection. It is to the interest of the salesman that he should secure employment which is agreeable to him, with a concern in which he has faith and confidence and which does not require a capacity beyond that which he possesses. If the work is not agreeable, he will be dissatisfied unless he regards it, and has a right to regard it, as a temporary necessity, possibly as a stepping-stone to promotion. If he does not have faith in the employer, he will not be satisfied because he will consider himself unjustly treated on the slightest provocation.

The salesman loses by his error in taking a position for which he is unsuited in at least three ways. There is, first, the important loss which comes through the fact that the salesman who fails to make good because he is unsuited for a job loses a certain amount of confidence in, and a certain amount of respect for, himself. To a certain extent, success is a habit, and the salesman who has the ill-fortune to get into a series of positions in which he has little chance of being successful gets the habit of being unsuccessful, which militates against his making a success if he does finally find the type of work for which he is best suited. There is, second, the monetary loss which the salesman who has not the capacity for the job he holds

suffers. He is not able to increase his earnings, his salary is not increased, because he cannot show results, and he is not infrequently compelled to suffer loss during periods of unemployment. Even more important, finally, is the fact that he suffers at times in getting settled in the type of work for which he is particularly suited. He may fritter away the best years of his life, because he is not able to determine exactly the type of selling in which he should engage and because the employers are too careless in hiring and firing.

On the other hand, the employer loses by his failure or inability to select salesmen properly, because poor selection results in increased turnover in the sales force. The sales department is compelled to hire many more men in the course of each year to maintain its sales force at a given size than would be necessary if it could select men who would make good and, therefore, would be more contented in their work.¹ Increased turnover is expensive, because in order to maintain a high standard of salesmanship in a sales force, an employer is compelled to spend considerable sums in training and breaking in a new salesman. The amounts vary from a few dollars to many hundreds and even thousands. The larger the number who must be hired and trained in order to maintain a force of 100 men in the field, the greater the cost of personal selling. Furthermore, firms are beginning to find out that even though salesmen are paid on a commission basis, it is fair neither to the salesman nor to the house to maintain the salesman in a territory unless he is able to operate satisfactorily. The salesman who does not perform his duties, who does not get out of the territory the business which is available for him through hard work, may get no more commissions than on the amounts he actually sells, but it makes a great deal of difference to other departments of an enterprise. The

¹ Upon turnover in sales force, see H. G. Kenagy and C. S. Yoakum, *The Selection and Training of Salesmen*, McGraw-Hill, New York, 1925, pp. 146-150; also articles by Kenagy, *Printers' Ink*, November 2, 1922; and Johnson, *ibid.*, September 7, 1922.

business is geared up to a certain productive capacity which cannot be utilized unless selling operations are successful. Furthermore, a salesman may by his work destroy goodwill which has taken the house years to build up; the result is loss of customers and increased selling expense.

RECRUITING SALESMEN

How shall the man who is ambitious to become a salesman find a suitable opening? How shall the sales manager who is building up a sales force find desirable candidates for the sales positions he has to fill? There are a number of sources which are commonly utilized in attempting to build up a sales force. Among them may be mentioned the following:

1. Men who have been working in the office, in the production, or other departments of the company which is seeking salesmen;
2. Salesmen who are or have been working with other companies, either competitors or companies in related lines. They may have been either wholesale or retail salesmen;
3. Salesmen who have been selling dissimilar products to different classes of buyers;
4. Men with little or no experience fresh from educational institutions such as high school, trade school, university or college, or technical school;
5. Men with no selling experience, but who have been engaged in other lines of activity.

1. A common source of recruits to the sales force of a manufacturer or wholesaler is his own organization. Young men, who have been working in the factory or in the office, are watched and, when a new salesman is needed, one of these is promoted to that position. Other things being equal, it is obviously the fair thing for a sales organization to choose men from within the enterprise for promotion purposes. The practice is probably more common among manufacturers of semi-technical products than among

others. Whether or not men will be chosen from within the organization will depend, first, upon whether there are available candidates for sales positions, and, second, whether the experience of the company with such men has been successful. There are a number of advantages which, at least theoretically, should be gained by the company through choosing men from its own organization. They may be presumed to know the organization thoroughly. They are familiar with the product. In fact, men taken from the plant are probably more familiar with the product than any salesman whom they might acquire from the outside and put through a course of training. They have been with the concern long enough so that it has been possible for officials to observe them carefully, to determine whether or not they possess the qualities which seem to be desirable. One of the largest manufacturers of machine tools in the United States never hires a man for his sales force except from his own production department, using men who are familiar with every detail of the machines and their applications. A manufacturer of automobile accessories adopts the same policy. However, there are certain limitations. The production department may not furnish enough candidates for such positions, particularly if a good deal of machinery is used in production processes, so that a relatively small production force makes a large volume of product, which, if sold to retailers, requires a comparatively large sales force. Therefore, many firms are compelled to seek elsewhere for candidates, although, even among the concerns which have steadfastly adhered to the policy of hiring none but their own men, there is developing some doubt as to the wisdom of the policy. A manufacturer of paper specialties, whose line is extensive and somewhat technical, has for many years pursued the policy of hiring men from his production department to fill vacancies whenever suitable candidates seem to be available. A very careful study of the records of these men has revealed the fact that they have not been so successful as those hired

from the outside. In fact, a good many of them have been decidedly unsuccessful. They had been good workers, intelligent and aggressive in production work, but they were not able to perform their selling duties satisfactorily. This firm has recently adopted the policy of taking men from the production department only in exceptional cases, where the man is obviously fitted for sales work.

2. A large proportion of sales organizations make it a point to hire experienced men, that is, men who have had previous experience in selling with other organizations. It is obvious that unless such men are either not engaged in selling at the moment or are out of work, such men must be taken from other organizations. When taken from competing companies, the salesman hired may prove to be a good investment, particularly if the transfer proves to be in the nature of a deserved promotion. There are, of course, certain advantages to be secured by hiring salesmen who have been connected with companies which sell the same line of product to the same classes of customers in the same general manner. The amount of training necessary is less and the amount of time required much shorter than if an inexperienced man is chosen. But the danger exists that the experienced salesmen taken from competitors will not be adaptable to the policies and methods of his new connection. Ordinarily, the initiative in establishing a new connection with a competitor must come from the salesman himself, not from the company which is in the market for salesmen. Not a few companies definitely adhere to the policy of never hiring former salesmen of competitors; many more regard it as unethical to take any action in hiring a competitor's salesmen.

3. Companies selling to retailers may find it worth while to regard the retail clerk as a possible candidate for the position of wholesale salesman. Since the retail clerk is intimately acquainted with the problems and methods of his prospective retail customers, he may be able to perform

the resale service and assist the retailer much more successfully than the salesman who has never had such experience.

The extent to which the man experienced in a particular line may be successful in another line depends upon his ability to acquire the new knowledge and methods required. The fundamentals of selling are essentially the same; but the applications, to be successful, may require the salesman of a highly technical line to have a broad engineering education, while in another line no more than a common school education may be needed. The difficulty of acquiring sufficient technical knowledge of the uses of a product and its relation to customers' needs to sell successfully is sometimes overestimated. More depends upon general level of intelligence and upon ability to use acquirable knowledge of the new line of products in relating the product to the wants of buyers than upon other factors. The inability of a man to deal successfully with classes of buyers higher or lower than his own level or the level to which he has been accustomed is frequently more important in barring transfer to new lines of selling than lack of knowledge of the product.

4. The sales executive who desires to develop inexperienced men into the type of salesman he needs frequently turns to the various types of educational institutions for men who have the basis of general training necessary for success in a particular sales position. The particular type of institution approached will depend upon the nature of the selling job. The company which is hiring salesmen for the sale of complicated installations of electrical products will turn to schools of technology, and, for example, demand that a candidate have finished a thorough course in electrical engineering; the company selling dyestuffs for textiles, may turn to textile trade schools for likely candidates. Or the candidates may be chosen with a view to giving them a sufficient training in the technology of the

product when they have demonstrated the possession of other desirable qualities.

As a whole, in the selection of such men, the experience of numerous companies has shown that in some companies college-trained men, though harder to develop, have made successful candidates; in others, college men have been unsuccessful. As a result, some companies prefer not to use college men for their sales forces; others will accept no others—no one who has not a college education or its equivalent. Failure of the college man to get down to his job, and failure of the job to take up all of his capacity are in part responsible for this state of affairs. The recommendations of teachers, the recommendations of school and college employment offices will, therefore, be of help to a young man in securing a sales position, and to the sales manager in finding certain types of recruits.

5. The sales manager who is on the lookout for recruits for the sales force will occasionally find men in other walks of life who have the qualifications which will enable them to become successful salesmen. Contacts in societies, clubs, lodges, trade associations, and elsewhere, sometimes yield successful candidates. Since the qualifications which make for success in selling are in no small measure those which make for success in many other business callings, it is entirely logical for a sales manager to expect to find, outside the circle of those engaged in selling, men who will be helped by being induced to go into selling work.

While these are clearly possible sources of supply of salesmen, the methods of bringing the right selling job and the right man together have been only indirectly indicated. The salesman wants to know how to go about securing a position in which he will be successful; and the sales manager is desirous of finding out who wishes to get into his type of selling position, and how he may select from the candidates those who show the greatest promise of success.

The sales executive who is seeking to add to his force of salesmen will utilize one or more methods of determining whom he might consider for the contemplated opening. (1) He will try to enlist the interest of his own organization, especially his sales organization, in proposing the names of men whom they think would be successful salesmen. Some of the insurance companies think that this is one of the best methods of finding out about men who will be successful in selling insurance. (2) He will endeavor to select likely candidates from those who apply voluntarily for positions. Many of the better companies have a waiting list of applicants for sales positions made up from men who by letter or personal application have expressed their desire to become connected with the company. The man who desires to sell for a particular company can do nothing more effective than either to visit the district or sales manager, or to write a letter which states clearly the most important things a sales manager wants to know. Every company desires to have men on its selling staff who value their connection with the firm; not a few endeavor to test the desire of a salesman in some way either by refusing to hire immediately, compelling the salesman to take the initiative in securing several interviews before he is hired, or requiring the salesman to take a course of training at his own expense. (3) The executive charged with the hiring of salesmen may advertise in newspapers or periodicals, or scan the columns of such publications to secure information as to candidates. It is a commentary on the need for salesmen that one meets with a considerable number of classified advertisements in every issue of the metropolitan newspaper, asking for applications for sales positions.¹ Trade publications are sometimes used to advertise for salesmen in specialized lines. Frequently these

¹In some papers, careful scrutiny will disclose a number of illegitimate advertisements. If these advertisements are carefully scrutinized, it will be found that a legitimate sales position is not offered. A not uncommon sharp practice is that of apparently offering a sales position, provided the

advertisements are not signed. The sales manager uses a blind advertisement, because he does not wish his competitor to know that he is in the market for a dozen or 15 new salesmen and also because it helps him to get a somewhat more accurate impression of the candidates, who may have to undergo a sifting process before they are permitted to interview the sales manager. Each candidate for a position may be asked to write a letter detailing his personal qualifications and experience. On the basis of these letters, it is ordinarily possible for the sales manager to pick out the men who seem to have chances for success. The situation-wanted columns may be used to secure positions as salesmen. The fact that a salesman is aggressive enough to advertise for a position is a point in his favor, though in all cases, the advantage in securing a new connection is with the man who is making good in his present position. (4) He may directly or indirectly get into touch with employment offices and employment bureaus of educational institutions. Men who are endeavoring to advance their training in night schools or by special courses in business administration are presumed to have more than ordinary ambition and willingness to prepare themselves for their work. As a whole, employment agencies do very little for the average sales manager in finding salesmen, or for the salesmen in finding openings. (5) Lastly, other business men, sales or other executives may be in a position to recommend promising candidates.

QUALIFICATIONS OF SALESMEN

The company which wants to hire a salesman should have previously determined as accurately as possible the general types of work which the salesman is expected to salesman purchases a kit containing a sample of the product and this and that type of material, for which he pays a liberal price and which seems to be the sole object of the advertisement. The position nominally offered amounts to nothing, and the applicant who has purchased the kit has ordinarily sunk just so much money in what is of no value to him.

do; this is of even more importance to the salesman. A job analysis, both qualitative and quantitative, is necessary to determine the qualifications which are desired for successful performance. The discussion of job analysis above¹ brought out the point that hardly a beginning has been made in determining the *kinds* of work a salesman must do in detail in order to sell successfully and make customers; nor has the amount of each kind of work to be done, most suitably and efficiently to perform a given sales task, been determined except in isolated instances. Scientific task analysis should, therefore, precede an attempt to determine the qualifications of salesmen.

In the absence of authoritative studies of more than a small portion of the field, sales managers have found it necessary to set up impliedly or expressly, certain qualifications as those which should be considered desirable in candidates for sales positions. Numerous lists of characteristics of good salesmen, or lists of traits and qualifications considered desirable by sales managers, might be cited, but the survey of St. Louis sales managers, resulting in a composite opinion of the requisite attributes of a salesman,² is illustrative:

GOOD CHARACTER: Reputation, habits, integrity, self-control, reliability, truthfulness, honesty,

¹ Chapter II.

² Several years ago the sales managers' bureau of the St. Louis Chamber of Commerce made up a questionnaire asking the 12 essential qualifications of a salesman. These questionnaires were distributed among the 460 sales-manager members. The result was the compilation of a "Compendium of the Twelve Essential Qualifications of a Salesman," quoted above.

A variation for bond salesmen is given by Townsend in his *Bond Salesmanship*, Henry Holt & Co., New York, 1924, chap. ii, p. 11:

1. Instinctive honesty and truthfulness
2. The instinct for helpfulness
3. The capacity for leadership
4. The capacity for accomplishment against odds
5. A forceful or pleasing personality
6. Physical poise
7. An alert and well-disciplined mind
8. A good memory
9. Constructive imagination
10. Self-respect
11. A saving sense of humor
12. The determination to sell

	fairness, loyalty, sincerity, sobriety, decency
PERSONALITY:	Individuality, address, appearance, cleanliness, manners, voice
HEALTH:	Vitality, correct habits of life
MENTALITY:	Education, openmindedness, common sense, understanding, native intelligence, native ability
CONCENTRATION:	Application, tenacity, patience, perseverance, student, self-analysis
INDUSTRY:	Energy, capacity for work, enthusiasm, optimism, ambition
SELF-CONFIDENCE:	Courage, preparedness, conviction of competency
PUNCTUALITY:	Promptness in all dealings with customer and house; readiness of decision and action; brevity, directness
TACT:	Intuition, sympathetic comprehension
INITIATIVE:	Power of origination, visualization
RESOURCEFULNESS:	Alertness, observation, imagination
KNOWLEDGE OF GOODS:	To include knowledge of business methods and policy of house, as well as of competitors

The reasons for these general qualifications are fairly clear. The salesman must have good character, because he acts as a representative of his employer, and to a large proportion of the customers he is the only representative whom they see. Furthermore, the salesman is entrusted with more or less responsibility. Unless he possess good habits, integrity, and honesty, he cannot perform work satisfactorily from the view-point of the employer and from the view-point of his greatest service to himself. Good personality is needed, because it reduces the difficulty which the salesman encounters in developing and maintaining contacts with buyers. Ability to concentrate on the task in hand, willingness to work, and self-confidence are clearly

desirable. It is significant that a recent analysis of 20 failures among salesmen showed that lack of industry led the list with 9 out of 20 failures, three times as many failures being attributable to that cause as to any other. The initiative and resourcefulness, together with the imagination necessary to be able to visualize the needs of the customer and to fit the offer of the seller to these needs, follow as a matter of course from the general proposition that the selling transaction must be mutually beneficial, that the task of the salesman is to determine the real needs of the buyer and to satisfy those needs. To the knowledge of the goods included in the general list should be added knowledge of human nature, although one might assert that the word "tact" implies this knowledge of human nature, for a salesman cannot be tactful in his relations with customers unless he has some knowledge of human nature, or some knowledge of the reactions of prospective buyers to himself and to what he says and does.

The knowledge of the general and special qualifications needed for successful salesmanship does not help the salesman and sales executive unless there is some way of determining whether a man who wants to enter selling work possesses those qualifications or not. The fact is that very few men know themselves; and it is even more difficult to appraise accurately the qualities of others. Consequently, as an approach to the problem of hiring salesmen, it is wise to determine the limitations of one's ability to appraise the characteristics of men. One may classify the qualities which have a bearing upon selling success in three groups:

1. *Character traits which bear directly upon success in selling.* These traits or attitudes which go to make up character and personality are so complex and numerous that men are compelled to resort to very inaccurate and incomplete size-ups as a basis for judgment. The development of tests which reduce the probability of error is proceeding slowly. But meanwhile there are charlatans, posing

as character analysts, who attempt to deceive both sales executives and salesmen by their assertions that they can read character and can tell a man whether or not he possesses particular characteristics.

2. *Intelligence or mental alertness.* While most sales executives resort to unaided judgment in determining the mental intelligence of a prospective salesman, tests have been and are being developed by psychologists and have been successfully used by some sales organizations to determine mental alertness, resulting in a greater degree of accuracy than any of the older methods.

3. *Certain qualifications of the applicant for a sales position which have an undetermined bearing upon success in a particular sales task.* Marital status, schooling, number of dependents, age, are examples of qualifications which may affect success in a certain type of sales work. While it is undoubtedly true that the relationship between the possession of these qualities and probable success varies from company to company, it is possible for every company, which has maintained records of any considerable number of salesmen, to determine whether there is any marked relationship between selling success and characteristics such as the amount of schooling a salesman possesses, his age, or his marital status. Such a study will, if carefully conducted, tend to reduce the number of mistakes in hiring, to the benefit both of the house and salesman. The salesman is even more interested than the employer in not getting into a position in which he has small chance of success.¹

The sales executives who are hiring salesmen use several means to ascertain whether or not a prospective salesman is suitable for an opening and can be developed into a successful salesman. These methods are generally classified as:

1. Interview and rating scales
2. Application blank
3. Psychological tests

¹ See discussion of application blanks, pp. 498-504.

THE INTERVIEW IN HIRING SALESMEN

The typical method of hiring salesmen is that in which the sales manager or some other executive makes the selection on the basis of one or more personal interviews. The sales manager attempts to size up the salesman in the course of an interview, in which he asks certain questions, which seem to him to be important, or engages in other conversation relating only in part to the position to be filled. Perhaps more salesmen have been chosen in this way than in any other, but it must be admitted that the single interview is very faulty. Nowhere has the possibility of error been shown more clearly than in a test made by Walter Dill Scott¹ as a result of his connection with the American Tobacco Company which in 1915 employed about 1,400 salesmen. These were selected by the district managers, following a personal interview, from prospects recommended by customers or others. Advertising for prospects was not used. In prosecuting his studies of psychological tests and their application to the selection of salesmen, Professor Scott had 8 district managers of this company meet in one city to interview independently and successively 29 applicants for the position of salesman, of whom 15 men were to be chosen. Each district manager was asked to use his usual method of interviewing and ranking the men. In Table 1, shown on page 492, which gives the results obtained, the Roman numerals indicate the district managers. Number I is a division manager in charge of the other 7 district managers. Applicants are designated by letters A to CC. It will be noticed that no three men agree on the ratings of any individual and that men are rated first by certain branch managers and last by others. The results of this test can be confirmed from your own experience and your experience with men with whom you have not had previous acquaintance. If you compare your

¹ *Printers' Ink*, February 17, 1916.

TABLE I
RESULTS OF INTERVIEW OF 29 APPLICANTS FOR
POSITION OF SALESMAN

	Average	I	II	III	IV	V	VI	VII	VIII
A	4	18	9	5	21	2.5	2.5	3	11
B	5	8	3	11.5	3	2.5	14.5	26	5
C	7	4	3	11.5	6	15	20	15	4
D	11.5	19	15	7	21	9	11	3	17
E	1	2	3	19	2	23	1	3	2.5
F	14	1	9	13.5	24.5	9	2.5	22	24
G	15	20.5	9	13.5	16.5	12	8	27	2.5
H	10	9	9	24.5	8	6	8	18	15.5
I	3	28	3	6	4.5	12	4.5	3	9
J	2	7	3	4	4.5	23	12.5	6	6.5
K	19	15	24	21	13	23	25	11	6.5
L	6	11	9	10	1	12	12.5	19	1
M	9	26	15	1	8	9	16.5	3	15.5
N	21	13	24	17	26	23	8	10	26.5
O	1.5	14	9	8.5	21	2.5	8	17	22
P	24	16	26.5	24.5	10.5	23	25	20	13
Q	13	3	20	8.5	13	15	20	13	11
R	18	28	20	24.5	16.5	2.5	16.5	7.5	22
S	26	24	15	18	28	23	14.5	15	26.5
T	22	20.5	9	20	16.5	23	20	23.5	19
U	17	33	24	3	21	6	8	16	28.5
V	8	6	15	2	8	23	4.5	12	14
W	16	20	29	15.5	13	6	18	9	11
X	23	22	20	22	10.5	23	25	7.5	22
Y	27	17	15	28	28	23	22	28	19
Z	20	12	20	15.5	24.5	23	25	14	3
AA	25	5	20	24.5	21.5	15	29	21	25
BB	28	28	26.5	29	16.5	23	23	29	19
CC	29	25	28	27	28	23	23	23.5	28.5
Correlation with interviewers:	.70	.41	.76	.73	.70	.47	.74	.55	.65

opinions of individuals whom you meet with the opinions of others, you will find very considerable divergences, which emphasize the possibility of error when the decision depends upon the observation of a single individual unaided by any other means.¹

Men vary widely in their ability to size up other men. Through long experience and unusual intuition, some men are able to size up applicants for sales positions with a much greater degree of accuracy than others. In the test outlined above, it is shown that the division manager himself was much poorer in his ability to select salesmen than one of the branch managers. There is a wide variety among the correlations. In other words, the chances are that, out

¹ A similar test, with results which corroborate those in the Scott experiment, is related in D. A. Laird, *The Psychology of Selecting Men*, McGraw-Hill, New York, 1925, p. 102.

of ten men chosen by one executive for a particular position, seven or eight may make good, while of ten chosen by another executive, only one or two will make good.¹ Of course, it should be pointed out that, whether or not men make good depends upon other factors as well. Every sales manager has a 50-50 chance when he guesses whether or not a man will make a good salesman. If he can improve that percentage by his intuition, judgment, or experience, he is in so much better position to prevent salesmen from getting positions for which they are unfit and in which they would be unsuccessful and unhappy.

The faults of the single-interview method have been so glaring that many companies have attempted to eliminate them in part, either by a series of interviews with one individual, so that the judgment of a man's fitness is not made on the basis of a single discussion, or on the basis of a series of interviews with different persons, so that composite judgment is secured. The salesman who possesses unusual personality may persuade the sales manager that he is fit for the position, although he does not possess some of the fundamental characteristics. The sales manager is tempted to pass snap judgment, which is not infrequently erroneous. Some men have the ability to sell themselves on their first call, just as they can sell goods or services on a first call, while deliberate reflection suggests a lack of fitness which is not apparent at first.

The interview method, however, has its distinct advantages, for the employer can secure a definite impression of personality and manner which could not be secured so quickly in any other way. Men intuitively size up other men, and, provided they admit the possibilities of error and realize the imperfections and inadequacy of the exact knowledge at the present time, contact does give an impression which is most valuable, when properly checked by reference to other methods.

¹*Ibid.*, p. 104.

RATING-SCALES IN HIRING SALESMEN

A device used, particularly in connection with the personal-interview method, to increase the accuracy and specificity of judgment is the rating-scale. The scale used for judging the qualities of men was developed first by the psychologists, particularly by those in the Bureau of Personnel Research in the Carnegie Institute of Technology. As originally devised, it possessed two characteristics—one, an enumeration and somewhat more definite classification of the qualities for which candidates for positions or others were to be rated; and second, a device for measuring the degree of each quality. The earlier rating-scales gave the maximum rating for each quality, the highest being, say 15, and the lowest 3, with 2 or 3 points between each intervening step. A modification of this plan was introduced to make it easier of application, by setting up standards for the position of qualities by reference to other individuals. If a man were to be judged for personality, a man was picked out from the organization who possessed unusually good personality. Those who did the rating were asked to compare the candidate with the man already in the organization. At the other end of the scale, a man with unusually poor personality was given the lowest rating; and, if the candidate had a poorer rating, he was compared with this man already in the firm's employ. This particular modification made it somewhat easier to rate new applicants for positions by reference to qualities of men with whom the raters were familiar. The more recent rating-scales show a modification, so that, instead of marking with reference to a particular individual or having a series of numbers indicating the ratings, the rater places a check-mark upon a line at a point which suggests his opinion of the strength or weakness of the particular quality being rated. The rating-scale shown in Figure 10, prepared by Dr. Daniel Starch, is typical.

QUALITIES	REPORT				
1. <i>Appearance and Manner.</i> Consider how he impresses the trade in his field by his appearance and manner.	Strong personality	Favorable	Indifferent	Weak	Offensive
2. <i>Sales Ingenuity.</i> Consider his success in sizing up a sales situation and in presenting the company's policy with tact, clearness, and force.	Very successful	Capable		Mediocre	Unsuccessful
3. <i>Industry.</i> Consider his energy and application to the duties of his work, day in and day out.	Very energetic	Industrious		Indifferent	Lazy
4. <i>Reliability.</i> Consider whether he is accurate in statements, dependable in money matters, faithful in social relations.	Absolutely dependable	Conscientious		Careless	Unreliable
5. <i>Ability in Developing Men.</i> Consider his success in developing talent and improving the grade of the salesmen through arousing ambition, creating and maintaining interest, and imparting information.	Develops salesmen of high caliber	Develops salesmen of more than ordinary ability		Neglects development of salesmen	Discourages and misinforms salesmen
Total _____					

Figure 10: Interviewer's rating scale for salesmen.

Another rating-scale used by the Procter and Gamble Company based on the experience of the former Bureau of Personnel Research of the Carnegie Institute of Technology, shown in Figures 11a and 11b, is more comprehensive. In some organizations, the same man is ranked by three or more superior employees who are acquainted with him. A master

JUDGMENT BLANK

—
FOR RECORDING INTERVIEW WITH THE PROSPECTIVE SALESMAN
—

Prospective Salesman Date of Interview

District Interviewer

Keep this blank before you for guidance in interviewing the applicant. Do not make any notations on it during the interview, but fill it in completely as soon as possible after the interview is over.

Directions: The following questions ask for your judgment of the prospective salesman on a number of different points. Before attempting to record your opinion on any item **read and consider carefully** all the descriptive statements under the line to the right of each question. Indicate your opinion on each quality by making a check (✓) on the line, just where you think it ought to be. For example, if in Quality 1 you think the prospective salesman is a little lower than indicated by the statement "appearance satisfactory", but not quite low enough to be recorded "gives somewhat unfavorable impression", then put the check mark on the line somewhere between these two places.

- How does his appearance impress you, especially his facial expression, physique, carriage and neatness?

	Creates fine impression	Good appearance	Appearance satisfactory	Gives somewhat unfavorable impression	Makes a poor appearance
--	-------------------------	-----------------	-------------------------	---------------------------------------	-------------------------
- How do applicant's manners impress you?

	Cultivated, pleasing	Agreeable	Unnoticed	Awkward, ill at ease	Rough and grating
--	----------------------	-----------	-----------	----------------------	-------------------
- How would you describe the applicant's voice?

	Disagreeable	Weak	Unnoticed	Agreeable	Pleasing
--	--------------	------	-----------	-----------	----------
- To what extent does the applicant participate in the conversation during interview?

	Takes a leading part	Initiates some points of discussion	Fairly responsive	Hardly more than answers questions
--	----------------------	-------------------------------------	-------------------	------------------------------------
- Does applicant return your gaze steadily? Does he look you in the eye?

	Eyes shift continually	Gaze somewhat uneasy	Usually returns gaze	Gaze never wavers
--	------------------------	----------------------	----------------------	-------------------
- Has he a good command of language? Does he use good English?

	Talks easily; uses wide vocabulary perfectly	Sometimes at loss for words—makes common errors	Limited vocabulary; uses bad grammar
--	--	---	--------------------------------------

Figure 11a: Judgment blank used in hiring salesmen.

blank can then be filled out, showing the composite rating. This insures accuracy and fairness. Such a rating scale can be used for two purposes: (1) in hiring, (2) in promoting, and (3) in training.

It is obvious that the rating-scale is merely a device to make the interviewer or the rater think more accurately

7 How does he speak of former employer?	Denounces bitterly; shows disrespect	Criticizes; airs his grievances	States frank opinion respectfully	Mentions their good points; admits own fault	
8 What is your opinion of his character and integrity?	Absolutely trustworthy	Character high	Character as good as general average	Character somewhat doubtful	Character decidedly unreliable
9 What degree of determination does he seem to possess?	Strong determination in spite of difficulties	Shows grit	Shows some determination	Is somewhat easily discouraged	Gives up in face of difficulties
10. Does he give evidence of initiative? Has he ever started and carried through anything on his own responsibility?	Strikes out for himself		Shows some originality		Waits to be directed
11. What degree of imagination does he seem to possess?	Stagnant imagination		Originates some ideas		Full of ideas
12. How familiar is applicant with modern retail merchandising problems?	Wide retail experience; knows dealers' troubles	Some retail experience; serious student of problems	Has given retailing some thought; has hazy ideas		No experience No knowledge No interest
13. How hard do you believe he will work at selling?	May loaf on the job	Will tend to take things fairly easy	Will be satisfactory worker	Will work systematically	Will be co-sistant; hard worker
14. How do you rate his physical fitness for strenuous sales work?	Great stamina; will almost never lose day from work	Good physical trim; energetic; eyes bright; skin clear	Fair health; little reserve energy; subject to minor ills		Aoemic; sickly; or too fat; can't stand hard work or bad weather
Remarks:					

Figure 11b: Reverse side of judgment blank.

and define his impressions more accurately than he would if he were giving a composite judgment. In so far as it is possible for men to rate such qualities, the device is meritorious. Some question has been raised, nevertheless, as to the value of such rating-scales, the assertion being made that, while there is a value in the general impression which

one man gives another, the attempt to break down that general impression into ratings of particular qualities which are intermingled in the man's personality is of little value.¹ It is probable here, as in the other applications of psychological method to practical purposes, that there is much to learn before one can claim outstanding merit for any device. The rating-scale gives undoubtedly a more accurate record of a man's impressions of candidates than the snap-judgment method. It is probable that the objection to be raised may not be serious, but there is only one way to test the value of such scales, and that is by their use in comparison with the records of men who have been rated.

THE APPLICATION BLANK

The salesman will commonly be asked either to write a letter of application or to fill out an application blank, or both. The letter of application may be asked for in advance of personal interview to serve as a basis for reducing the number of candidates for a sales position to a workable number of those who possess the desirable qualifications. The application blank may likewise be filled out before the personal interview is made and used as a basis for determining whether it is worth while for busy executives to devote the time to an interview, because it may appear that the training, experience, and qualifications of the man are not such as would fit him for the job for which he applies. Sometimes the application blank is filled out by the salesman only after a personal interview, in which the impression has been received that the candidate is worthy of further consideration for the opening. Whether or not the company should use an application blank is no longer so controversial a question as it once was. In the days when it was assumed that "salesmen are born and not made," instead of being both born and made, the sales manager passed his judgment on the basis of his interview and hired

¹ Thorndike, E. L., *Journal of Applied Psychology*, chap. iv, pp. 25-29.

or refused to hire a candidate. The salesman, on the other hand, if he had been successful, frequently if he had not, refused to fill out an application blank, and even today sales managers come across men who refuse to fill out application blanks on general principles, in addition to those who refuse to fill out application blanks because the blanks ask for information which they are unwilling to give. The employer is justified in asking the salesman who he is considering hiring to fill out application blanks. It saves the time of executives, it gives a workable form to information which is important in determining whether or not prospective salesmen will have a chance for success if they are hired. It furnishes a record whereby they can study the qualifications and qualities which seem to have a bearing upon the success of the salesmen whom they employ. From the view-point of the salesmen, the application blank requires an expenditure of some effort and sometimes asks questions which are considered too personal. The salesman should remember that the reputable employer is very much concerned about getting an honorable, aggressive, capable representative. The salesman is an ambassador of the house, and, as ambassador to the trade, he must have those qualifications which will reflect credit on the house. There are no definite and accurate means of ascertaining whether a man possesses certain qualifications, except after long acquaintance. We cannot accurately tell at a glance whether a man possesses certain innate qualities, which make him a desirable representative. We can only make estimates, and the personal questions which are asked for in some application blanks are included because the answers furnish some indication of the possession of qualities which are considered desirable in such representatives.

Application blanks vary in number and types of questions asked, but the forms reproduced in Figures 12 and 13 are typical. The former is used by a large manufacturer of rubber goods and the latter by a manufacturer of paints and varnishes.

SALESMAN'S APPLICATION BLANK

Name in full _____

Temporary Address (how long) _____

Permanent Address _____

Age _____ Height _____ Weight _____

Married or single _____ Nationality _____

If married, how many children? _____

How many people dependent upon you? _____

Present occupation _____

Name and line of business of concern you are with _____

Where and in what way have you been employed during your last five positions?
(Give last place on the first line and work backwards)

DATE	EMPLOYER	BUSINESS	ADDRESS	POSITION	SALARY
5					
4					
3					
2					
1					

Give reasons for leaving each employer. Answer in each case separately and specifically

5 _____

4 _____

3 _____

2 _____

1 _____

Can you furnish a bond? _____

Education _____

What have you studied since leaving school and how much? _____

What do you read regularly? _____

J. C. M.

Figure 12a: Application blank for salesman's position used by a rubber manufacturer.

The application blank is a much more useful instrument in the selection and study of salesmen than is commonly supposed. The scientific study of the records of salesmen and comparison with the qualifications, as set forth on application blanks, have brought some remarkable results.

A very important insurance company, noted for its progressiveness in methods of selecting and training salesmen, has been able to develop certain standards on the basis of the study of the company's application blanks. The man

How do you use your spare time?.....

Business experience.....

.....

Give three references.....

.....

Have you ever had a serious illness?.....

What is your present state of health?.....

Are you an occasional user of alcoholic beverages?.....

What and how much?.....

Are you a member of any club or society?.....

Specify.....

Average earnings per week for last year..... Last two years.....

Last five years.....

How much income must you have to meet your necessary living expenses?.....

What amount of earnings would satisfy you?.....

Do you believe in saving any surplus?.....

Reasons for changing occupation.....

.....

Why are you a salesman?.....

.....

What do you consider your strongest qualifications in selling?.....

.....

Reasons for wishing to connect with us.....

.....

How soon could you start?.....

Territory Preferred?.....

Figure 12b: Reverse side of salesman's application blank.

who wants to be a salesman is greatly interested in the study of such standards, because the establishment of standards means to the salesman that only men will be hired by this concern who will have chances of success, thereby eliminating a considerable proportion of the misfits and reducing the loss both to the salesmen and to the company. On the basis of this study, the insurance company found that for its particular work, the number of successes and failures could be classified according to the possession

TABLE 2
SALESMAN'S SCORE SHEET

100 Men	Percent- age of Failures	Percent- age of Successes	100 Men	Percent- age of Failures	Percent- age of Successes
AGE			MEMBERSHIP IN ORGANIZATIONS		
23 and under.....	51	49	0-1.....	57	43
24 to 32.....	42	58	2.....	42	58
33 to 38.....	36	64	3-4.....	38	62
39 to 44.....	47	53	5 or over.....	32	68
45 and over.....	50	50	OFFICERSHIP IN ORGANIZATIONS		
NO. OF DEPENDENTS			0-2.....	41	59
0 to 1.....	51	49	3 or over.....	17	83
2 and over.....	37	63	HOME INVESTMENTS		
MARITAL STATE			Rent or Board.....	48	52
Married.....	41	59	Owens own home.....	37	63
Single.....	51	49	NUMBER OF INVESTMENTS		
SCHOOLING			0-1.....	54	46
Grammar—High.....	32	68	2.....	46	54
College.....	46	54	3 or over.....	26	74
YEARS SINCE LEAVING SCHOOL			LIFE INSURANCE		
0 years and under....	40	60	Carries no insurance..	53	47
Over 9 years.....	27	73	Carries life insurance..	41	59
SELLING EXPERIENCE			TOTAL SCORE.....		
No selling experience..	34	66			
Less than 3 years....	42	58			
3 to 6 years.....	58	42			
Over 6 years.....	22	78			

of various qualities. Table 2, given on this page, shows that the percentage of successes is largest for men from 33 to 38 years of age, who have two dependents or more, are married, have grammar and high-school education (but not college), have been out of school over nine years, and have had over six years of experience. The largest number of successes were likewise those who had membership in five or more organizations, who owned their own homes, and had three or more investments in addition to carrying life insurance. Brief study will bring out the plausible reasons for the larger number of successes in the case of men having each of these qualifications. Nevertheless, the importance of this type of study lies in the fact that, as companies know more and more the type of men who will be successful with them, fewer salesmen will be allowed to do work for which they are not fitted. As conclusions are reached, it becomes possible to set up standards for hiring salesmen. Various qualifications may be given

Application for Position as Sales Representative

_____ 192_____

Name in full _____

Permanent address _____ Telephone _____

City _____ State _____

Date of birth _____ Place of birth _____ Nationality _____

What remuneration do you expect, and in what form? _____

PHYSICAL RECORD	GENERAL INFORMATION
Age _____	Single, married or widower? _____
Height _____	How long married? _____
Weight _____	Children _____ Other dependents _____
Color of skin _____	Do you own real estate? Value \$ _____ Incumbrance \$ _____
Color of eyes _____	Do you own stocks or bonds? Value \$ _____ Incumbrance \$ _____
Color of hair _____	Have you any loans or debts past due \$ _____ Particulars _____
Any defect in: Speech _____	Have you any other income besides what you will receive from us? _____
Hearing _____	Member of what lodges (give numbers) _____
Sight _____	_____ Are you in good standing? _____
Feet _____	Do you own a car? _____ Make? _____
Other _____	What religious denomination? _____
Have you taken recent physical examination? _____	To what military, religious, athletic or social organizations do you belong? _____
For what purpose? _____	Did you pass? _____
What serious illness have you had within last five years? _____	What insurance do you carry?—Life \$ _____ Health \$ _____ Accident \$ _____
_____	Have you ever been employed by us before? _____ In what capacity? _____
What is present condition of your health? _____	Name relatives in our employ, if any _____
_____	Name personal acquaintances in our employ _____
_____	Have you ever been bonded, and for what amount? _____
Are you willing to take physical examination? _____	Has bond ever been refused? _____ If so, why? _____
_____	Can you give a surety bond (at our expense)? _____

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Figure 13a: Page 1 of application blank for salesman's position used by a paint manufacturer.

favorable or unfavorable ratings, resulting in a composite picture of applicants' qualifications desired.¹

¹See Kenagy and Yoakum, *The Selection and Training of Salesmen*, p. 216.

Education and Selling Experience

Were you raised in city, town or country? _____

Did you attend high school? _____ Where? _____ How long? _____

At what age did you commence work? _____ How many years' selling experience? _____

What study courses have you completed since leaving school? _____

Have you taken a special training sales course with any previous employer? _____ Particulars _____

What languages, other than English, do you speak? _____

To what magazines or trade publications do you subscribe? _____

With what territory are you most familiar? _____

What other territories have you covered? _____

Will you accept any territory we have vacant? _____ Are you willing to travel? _____

State territory preference, if any _____ Second choice _____

What lines, other than your present one, have you handled? _____

Any experience in our line? _____ Particulars _____

What classes of manufacturers have you sold? _____

What classes of jobbers have you sold? _____

What classes of retailers have you sold? _____

With what class of trade are you best acquainted? _____

CHARACTER REFERENCES Give five. Do not refer to mere acquaintances, previous employers or relatives. Refer to people who know you well either personally or in business.

NAME	ADDRESS
1	
2	
3	
4	
5	

Figure 13c: Page 3 of salesman's application blank.

and a few companies selling commodities of a tangible nature, such as Procter and Gamble and the Dennison Company, make use of the work of psychologists, developed in recent years to show presence or absence of certain quali-

2. Tests to determine the ability and skill in performing certain tasks more or less similar to the task for which the person is being considered.

The most highly developed of the various types of psychological tests are the so-called intelligence or mental alertness tests, the purpose of which is primarily "not to evaluate any special knowledge, but rather to gage objectively such capacities as attention, perception, learning, memory, imagination, and reasoning."¹ Although such tests were first developed by psychologists in the field of education and were applied to school children to determine relative mental ages, the application to adults received a great impetus during the recent war when they were developed and applied to large numbers of men in the army in order to determine their levels of intelligence as a means of furnishing best utilization of man-power.

The tests usually given to salesmen consist of requiring the applicant for a position, in company with other applicants, to perform certain tasks or solve certain problems frequently with indefinite time limits. The tasks are of various types, verbal tests, completing or rearranging mutilated sentences, number-group checking, crossing out designated classes of words, and the like.

Psychologists are agreed neither as to the make-up of the tests nor as to exactly what the so-called mental alertness tests measure. Whether the power to perceive quickly relationships needed to pass most of the tests successfully is a true measure of intelligence or not, or whether the tests used are the best, is a question to be left for psychologists to solve through painstaking and thorough investigation

¹ Snow, A. J. *Psychology in Business Relations*, A. W. Shaw Company, Chicago, 1925, p. 518.

² For the later Scott test, see Scott and Clothier, *Personnel Management*, A. W. Shaw Company, Chicago, 1923, pp. 231 ff; see also pp. 301-311.

In the scoring of such tests, accuracy in performing the assigned tests and the speed with which the tasks are completed are usually made the basis for determining relative rank.

and experiment with the help of business enterprises as a laboratory.¹

But the experience of companies which have carefully utilized these tests shows that error in the selection of men having the required degree of mental alertness can be materially reduced. Before they can be used most successfully in the selection of salesmen, the company must determine, through study and experience, the general grade of alertness required for the performance of its particular selling work task, for a man of too high a grade will be easily dissatisfied, one of too low a grade incompetent. Experiments have shown that while there is no absolute relationship between intelligence, mental alertness as revealed by these tests, and success in selling—that is, the highest standing men in such tests are not necessarily the best salesmen—the fact remains that by the use of the tests it is possible to reject a larger proportion of the unfit than on the basis of unaided personal judgment.

From the standpoint of the salesman, the psychological test is therefore not to be considered a test of sanity, but rather an additional tool of the sales executives which, if rightly used, helps both the sales manager and the salesman to avoid costly mistakes. While the mental alertness test is a long way from perfection in its development, while the ratings in a test are sometimes not indicative of sales intelligence, the evidence bears out the statement that less injustice will be done to salesmen through judgment of sales managers if they are aided by such tests, than if not so assisted.²

Since mental alertness is only one of a number of important qualifications, it would be highly desirable to obtain tests which could aid the sales manager in determin-

¹ Upon mental alertness tests, see Scott and Clothier, *Personnel Management*; A. W. Kornhauser, and F. A. Kingsbury, *Psychological Tests in Business*; A. J. Snow, *Psychology in Business Relations*, chap. xxx; Laird, *The Psychology of Selecting Men*, chaps. xiii, xiv.

² See Scott and Clothier, *Personnel Management*, p. 232, for some of limitations of mental alertness tests.

ing the presence of other qualities such as aggressiveness, knowledge of human nature, tact, initiative, needed for successful selling. Attempts have been made to measure special aptitudes and temperaments, but so far the experiments which have been conducted have yielded no conclusive results. The attempt to apply the so-called "will temperament" tests originated by Professor Downey has yielded no definite correlations with sales ability.¹ The Bureau of Personnel Research of the Carnegie Institute of Technology has conducted certain experiments in determining whether a man's preference indicated his suitability for a sales position; other experiments have been made by Ream and Craig.²

Special ability tests have not been applied to selling tasks in a manner permitting reliable general conclusions. In the practice of some few companies in carefully observing the action of sales recruits in the field, there is an opportunity for scientific study and the application of tests of actual performance under prescribed condition.

OTHER METHODS OF SELECTING SALESMEN

Among the remaining methods used by sales managers, the systems of "character analysis" advocated by Dr. Katherine Blackford, "Dr." Merton, and others, both through published writings and from the lecture platform, have received the widest attention. Though these systems have been thoroughly discredited by scientists, the fact that some sales managers use them and that they select salesmen upon the basis of such systems, makes it necessary to examine briefly some of their chief propositions.

One of the first propositions is that blondes have char-

¹ See Dr. June E. Downey, *The Will-Temperament and Its Testing*, World Book Company, 1923; Ream, *The Ability to Sell*, 1924, pp. 40-43, 49-50, and *Journal of Applied Psychology*, January, 1922, pp. 7-16; Kenagy and Yoakum, *The Selection and Training of Salesmen*, pp. 289-295.

² Ream, *Ability to Sell*, p. 38; E. R. Craig, *Journal of Personnel Research*, chap. iii, pp. 366-374.

acteristics which differ from those of the brunette; in other words, "the normal blonde has positive, dynamic, driving, aggressive, dominating, impatient, active, quick, hopeful, speculative, changeable, and variety-loving characteristics; while the normal brunette has negative, static, conservative, initiative, submissive, cautious, painstaking, patient, plodding, slow, deliberate, serious, thoughtful, specializing characteristics."¹ The conclusion is drawn, therefore, that the blonde makes the best salesman. Scientific observers have made a careful analysis of the claims of character analysis regarding blonde and brunette traits and find no correlation between traits and color. A scientific study of 152 salesmen made by Mr. Kenagy leads him to conclude that any system of character analysis based on the possession of so-called blonde and brunette traits is impractical and unsound.²

Other propositions of character analysis claim that it is possible to determine characteristics from the form and shape of the head as well as the various features, the size of the body, the texture, consistency, and flexibility of various portions of the body. Since there is no scientific evidence to support the theory that there is any definite relationship between the shape of the head and mental characteristics, most of the statements of the proponents must be classed as buncombe, even though otherwise intelligent business men have on occasion expended considerable sums for such advice in their search for some sure and easy method of selecting men for their organizations. In a recent comprehensive study by Cleeton and Knight, reported in the *Journal of Applied Psychology*,³ an effort was made to study the ratings of close associates of 201 persons with the characteristics of those persons as interpreted by phy-

¹ Blackford, Katherine, *Character Analysis by the Observational Method*, Henry Alden Co., Inc., New York, 1918, p. 28.

² Patterson, D. G., and Ludgate, K. E., "Blonde and Brunette Traits," *Journal of Personnel Research*, July, 1922, pp. 122-127; Kenagy and Yoakum, *The Selection and Training of Salesmen*, pp. 246-248.

³ Vol. VIII, 1924, pp. 215-231.

sical factors according to the claims of the character analysis; the result showed an average correlation of zero. This experiment did no more than confirm previous experiments¹ which showed the essentially false character of the claims of the physiognomists.

Since the judgment of character on the basis of personal interview is so faulty, and since the various pseudo-scientific systems of selection are invalid, it is obvious that the selection of a salesman on the basis of his photograph is little better, if any, than chance selection. Some sales managers attempt to diagnose character from photographs even though repeated experimentation under scientific conditions shows conclusively that no dependence can be placed upon the method.² Likewise, following the assertions of physiognomists and others, an attempt is made to deduce character traits from examination of handwriting.³ Again,

¹ See Dunlap, Knight, "Fact and Fable in Character Analysis," *Annals of the American Academy of Political and Social Science*, pp. 74-80; Laird, *The Psychology of Selecting Men*, pp. 116-138; Snow, *Psychology in Business Relations*, pp. 487-501; Starch, *Harvard Business Review*, Vol. I, p. 71.

² See Hollingworth, *Judging Human Character*, chap. iii; Laird, *The Psychology of Selecting Men*, pp. 109-115.

³ Starch, Daniel, *Harvard Business Review*, Vol. I, No. 1, pp. 73-74, states that: "to illustrate the unfounded nature of one particular method of interpreting traits of character by handwriting, we may note that practically all systems of graphology agree that an upward slant of the lines in handwriting on an unruled sheet of paper is an indication of an ambitious nature. Incidentally, it may be pointed out that most of the traits in many of these schemes are based on superficial analogy. An upward slant in handwriting is at once taken as an indication of an upward looking, ambitions nature.

"Dr. C. L. Hull submitted this characteristic to a careful test, by obtaining samples of handwriting from a group of 17 young men who intimately knew each other. After these samples had been obtained, each of the 17 men was asked to rank in order the other 16 men according to his general impression of their ambitiousness. Such a characteristic as an upward or downward slant of handwriting can readily be measured objectively by a simple device. Accordingly, the 17 samples of handwriting were measured to determine the amount of upward and downward slant. The amount of deviation up or down was then compared with the combined rank of the 17 men to determine whether or not, according to the judgment of these men, the ones of a more ambitious make-up were also the ones who tended to have an upward slant of handwriting. The results showed no such relationship; in no case any uniform relationship." See also Laird, *The Psychology of Selecting Men*, pp. 94-100.

experiments under controlled conditions reveal no correlation between characteristics of handwriting and traits of character.¹

EMPLOYMENT PROCEDURE

The employment procedure through which the salesman must pass is ordinarily very simple, consisting of one or more personal interviews supplemented by an application blank and the requirement of references. A prominent rubber company uses the following procedure in hiring applicants for the sales department:

1. The applicants who, on their first interview, make a favorable impression are given a preliminary questionnaire and sales application blank to be returned later. Those who apply by mail are sent the preliminary questionnaire if it seems that further consideration is desirable. The preliminary questionnaire gives a picture of the applicant's personality, mentality, character, experience, success, and desires, for the purpose of eliminating from consideration those whose characteristics are such as to bring probability of failure. The sales application blank is little different from the ordinary blank, furnishing a résumé of the personal characteristics, habits, education, and past experience.

2. When the applicants have passed the first step and, having filled out the preliminary questionnaire and applica-

¹The variety of sources which manufacturers adopt to secure salesmen is illustrated by the following instances: A company manufacturing electric automotive apparatus chooses its sales engineers mostly from its own factories or branches. A building-material manufacturer states that his most successful men are obtained from men recommended by his own sales force, although sometimes he advertises for men. A clothing company carries on a campaign each spring with a view to securing men from the graduating classes of middle-western universities. A roller-bearing manufacturer chooses only engineers, young graduates of engineering colleges. A linoleum manufacturer takes men just out of the better colleges. A manufacturer of pharmaceuticals hires salesmen in drug and chemical lines who have had experience. An oil company secures many of its men through its present sales force, finding that best candidates come from ranks of salesmen in similar lines. A paper manufacturer uses three sources: recommendations of present salesmen, applications on file, and advertising in good newspapers.

tion blank, are considered suitable for further consideration, the effort is made to have each man interviewed by three men in whose judgment confidence can be placed. At the time of the interview each of the three interviewers is asked to record his opinion on a special interviewer's blank intended to show both first impressions and last impressions made by the applicant in regard to such questions as personality, educational qualifications, intelligence, experience, and executive ability.

3. The next step is that of obtaining information as to ability, reliability, and past experience from former employers on the basis of references given in the application blank.

4. Each applicant is required to pass a physical examination successfully, but such examination is given only after reference replies have been satisfactory.

5. The original sales application blank, together with photograph of the applicant, reference from previous employers and others, and interview sheets, as well as the preliminary questionnaire and medical examination blank, are then forwarded to the division office of the proper department for approval.¹

Quite as comprehensive is the practice of a prominent insurance company which requires the manager who is hiring salesmen to take the following steps:

1. Size up the prospective salesman through personal interview under varying conditions both at work and in his recreations.

2. A confidential personal history record, largely on application blank, is scored on the basis of eleven items, such as age, number of dependents, marital state, schooling, years since leaving school, selling experience, membership

¹A variation of this practice is furnished by a large steel company in which the prospective salesman is interviewed by the director of employment, general sales manager, the assistant to the general manager, and the director of training. Each of these rates the applicant as does also the company physician. The applicant is then given four tests based on the work of the Bureau of Personnel Research and the final rating is an average of all these ratings.

in organizations, officership in organizations, home investment, number of investments, insurance carried. The scoring plan is similar to the one previously mentioned.

3. The prospective salesman must pass successfully a mental alertness test which is a modification of the army *alpha* test.

4. Letters and references of previous employers are checked up.

5. A credit agency report is secured on the prospective salesman to give special information concerning the salesman's competency to handle his own affairs.

In connection with the interviews a judgment blank is used for rating impressions. A separate judgment blank may be used for each interview to show the development and changes in impressions.

It must be pointed out, however, that these procedures, based upon careful study and the use of scientific methods, have in the two cases mentioned been responsible for selecting a group of salesmen apparently much more effective and much more productive than could have been selected by any less careful means. Commonly the process is much less comprehensive.

THE SALESMAN'S CONTRACT WITH HIS EMPLOYER

Some of the salesman's relationships with his employer with regard to compensation and the way to perform his work may be embodied in a written contract. There is a difference of opinion among sales managers as to what should be included in such a contract if a written contract is to be used, just as there is wide difference of opinion as to whether written contracts are necessary. As a general rule, it may be said that written contracts are most necessary when the salesman is to sell a new product for which trade customs have not been established or to sell a product where relationship between the salesman, the dealer, and

the manufacturer is complicated—where, for instance, service is required or returns and allowances are made or second-hand machines are likewise to be sold by the salesman. No matter whether the written contract exists or not, there is a contract and a contractual relationship between the salesman and his employer. In the one case it is an expressed agreement; in the other, it is an implied contract, the interpretation of which will depend upon the verbal statements of both salesman and employer and by the customs of the trade, where such can be ascertained, and by equity. Many of the largest specialty organizations use elaborate contracts in which the attempt is made to determine in advance procedures upon points which may give rise to dispute between the salesman and his house. A typical contract is given in Appendix H. However, the contracts of the majority of concerns are by no means so detailed, sometimes involving little more than a statement that the salesman is employed by the house and that certain notice is to be given prior to termination of the agreement.

XIX

THE TRAINING OF SALESMEN

The content of training for personal selling. Training in knowledge of the product. Training in relation to the market. Training the salesman to sell. Securing training for personal selling. Special corporation schools for training salesmen.

THE only real and sufficient reason for securing training is to make each salesman more effective, better able to serve both himself and his employer. The need for training arises from the fact that, as a whole, the new salesmen do not know the products which they are to sell, they do not know the buyers individually or the collective market, nor do they know how to sell the products or present their products to the buyers. The lack of training of salespersons is asserted to be one of the reasons for the high cost of retail distribution. The average retail clerk knows very little about the goods that he is selling. On the other hand, the store managers (except in larger establishments) make very little provision for the training of those who come in contact with the buying public. Likewise, there are many wholesale salesmen who know their product and the market very inadequately. They come in contact with professional buyers who know much more about the products they are purchasing than does the salesman. The fault again is sometimes that of the salesman, and, not infrequently, that of the house, which is either not pointing out the necessity for acquiring adequate information or is taking insufficient interest in the whole matter of the training of salesmen.

Not many years ago it was very unusual for a company to pay any attention to the training of its salesmen. The "green" man, going out to sell for the first time, or the experienced man, coming from another line of business,

was given samples of the product, possibly a few words of admonition, and was sent out frequently with the idea that the buyers were clamoring for his goods. That method was wasteful, because, as soon as the salesman came up against real competition, as soon as he encountered difficulty in selling his product, he became discouraged. He had not been fortified by advance knowledge that such resistance was to be expected. Furthermore, in the past, a larger proportion of sales seems to have been consummated on the basis of the personality of the salesman than at the present time, when full and exact knowledge of the product is required by purchasing agents, buyers for department stores, proprietors of progressive independent stores, and a better informed public. The outcome was that salesmen whose personality and personal traits were not sufficient to carry them over the hurdle of knowing nothing about the goods they were trying to sell became discouraged and quit, and the process of hiring a new salesman and sending him out had to be repeated at a cost which the average company little realized.

The results of some few investigations of costs of hiring and firing showed very clearly that the cost of breaking in a new salesman was large, even if his payment was purely on a commission basis. The loss of custom and the unevenness of orders resulting in uneven production demands were costly, even though commissions were paid only on those orders which were secured. As a consequence, recognizing the wastefulness of this hit-and-miss plan of hiring and sending out salesmen, refinements in methods of selection were introduced, and the subject of training began to be seriously considered as a means both of reducing turnover in the sales force and of increasing the efficiency of old as well as new salesmen. It was discovered that even those members of the sales force who stayed with the company were not getting results commensurate with their capacity.

The extent of training required for a particular salesman's job depends upon the difficulty and complexity of the sell-

ing task. The task is more difficult if it is necessary to create demand than if the product is a well-known staple; if the product is a complex one, which is not readily understood either in use or in application by the prospective customer; or if the market is highly competitive and the product a luxury.

In the second place, the extent of training required depends upon the amount of general training and education which the salesman may have had. The training required for the task of selling a gasoline engine may be considerably less for the graduate of a mechanical engineering course than for the graduate of a college of liberal arts. The training required may be greater for a high-school graduate than for a college graduate. The fact that the training for the given salesman's position includes both general and specific training gives an advantage to those who already possess the required degree of general basic training.

Third, the extent of training required will be affected by the salesman's previous selling experience. The experience of the shoe salesman in selling shoes may be readily transferred to another company handling the same product, or to another manufacturer who goes direct to the retail shoe trade. Likewise, to a greater extent than is commonly supposed, the general methods used in a particular trade may be transferred to other trades with success, provided slight adaptations are made. But it may happen that the experienced salesman has acquired set ways, fixed methods of doing things, which are difficult to adapt to the new line. It may be more difficult, therefore, for a man to unlearn methods acquired from previous experience than for a man who has not had the opportunity to acquire bad habits, to start in the work. As a consequence, the extent of the salesman's previous experience may either increase or decrease the amount of training required to make him fit for a particular position.

Lastly, the amount of training required will depend upon

the type of buyer whom the salesman is to approach. The salesman who is entrusted with the task of approaching professional buyers of a product must have much more intimate knowledge of the product than the salesman who is approaching buyers with no technical knowledge, who are interested primarily in the uses of the product, which may be comparatively simple. The nature and amount of training which will be given by a particular employer will be affected not only by the need of training for effective salesmanship, but also by other factors relating to the possibilities of the employer's realizing nothing in the way of added returns from such training to offset the very considerable cost.

THE CONTENT OF TRAINING FOR PERSONAL SELLING

Of what should the salesman's training consist? If one should attempt to list all the things which have been included in the training required of salesmen by various manufacturers, the resulting list would include an education in all the professions and all lines of occupations, because for the sale of certain products, a full medical course may be a valuable asset; for the sale of others, an engineering course with even graduate work in engineering is desirable; for still others, a law course may be valuable. The more specialized the appeal of the product, the more technical in nature, the greater the value of specialized training which applies to a general classification of products sold but not necessarily to those sold of a particular firm. The electrical engineer will find his training useful, no matter with what company he becomes connected. It is true that in his selling work he may find it necessary to carry certain parts of his study into considerably greater detail than was necessary in his engineering course. The salesman who has his degree in dentistry may find it necessary to become more fully informed on new processes in handling certain cases of dental surgery, because he is introducing newer

methods, than would be necessary if he were a practicing dentist. But it is not the province of the specific training of salesmen to include such general training. The specific training for the work of the salesman must begin where such general training ends.

Threefold division of the knowledge which the salesman should have as a basis for effective selling furnishes a starting point for determining the content of training: (1) He should know his product. Furthermore, the salesman should know the history and organization of his house and thoroughly understand the policies which the company has adopted with reference to the business which he is transacting. The salesman must be trained to understand that he is not a free lance, but that for best results he must coordinate his efforts with those of other salesmen and with the sales department as well as with other departments of the enterprise. (2) He must know the types of buyers of his product and how to find them. He should know the methods of building up lists in localities for which his employer cannot prepare lists in advance. He should know the methods of securing new prospects for the sale of his product and how to help resell it. He should know how to determine whether his sales to particular customers in particular areas are satisfactory. (3) He must know, finally, how to present his product to buyers in such a way as to develop customers.

*Training in knowledge of the product.*¹ The reason for the training of the salesman is the need for familiarity with the product and its uses, processes of manufacture, and the house which manufactures or sells it. The amount of effort necessary to secure adequate knowledge of the product, obviously varies according to the type of product and the nature of the market. A technical product may require that the salesmen have engineering training. Professional buyers require of salesmen much more knowledge

¹ See Chapter VI.

of the details of construction as a basis for forming judgment concerning services to be secured from the product, while other buyers of the same product may be laymen who have no desire or need to go into such technical details. There are several ways in which the salesman may be given training necessary to the proper understanding of his product: (1) He may have sold or had experience with similar products. (2) He may pick up such knowledge as he can from the examination of the article and examination of catalogs or selling literature which the company puts out. (3) He may secure his knowledge of the product from a sales manual in which the information which he should have is compiled and presented in orderly fashion. (4) He may secure information as to the product through a period of experience in the house in some manufacturing department or in some position in which he will come in contact with the product. (5) His experience may be combined with a definite period of training in the factory. (6) He may secure the general training in the type of product in an educational institution and merely be given briefly the information which enables him to adapt his general information to the product of this specific manufacturer; for instance, the dental surgeon who acts as a salesman for a dental supply house or the engineer who acts as a salesman for electric motors.

The knowledge of the product as considered by most manufacturers includes merely the knowledge of the product itself and very little about the manufacturer, about the house and its history, its policies, and its methods. A surprising number of traveling salesmen know very little about the houses they represent—a serious omission because the salesman who is attempting to build up a list of permanent customers is building up customers who are to continue buying from the house. The salesman may be able to give the customer information as to the product, but he is at a disadvantage if he is not in position to furnish the customer complete information about his sales proposition.

Furthermore, the salesman cannot develop real loyalty on the basis of ignorance. Knowledge of the company itself, its personnel, its accomplishments, and its history should all help to make the company a living thing for the salesman and, therefore, enable him to represent the company to his prospects as a living organization of human beings, and not a mechanical grouping of men. The information as to the house can come, for the most part, only from officials themselves. They may furnish this in the sales manual, or it may be a part of the training course—a part usually presented by one of the higher officials, which gives the salesman some contact with, and knowledge of, those officials at the same time he is getting knowledge of the house.

*Training in relation to the market.*¹ As a whole, the small amount of attention given by the salesman to acquiring a knowledge of the market usually shows that this essential phase of his training has been very seriously neglected. Too often the salesman knows only incompletely the classes of buyers whom he should approach to sell his product. Too often the salesman does not take the trouble to study his prospective customers individually so that he can ascertain their needs and can plan his selling tactics accordingly.

The salesman may acquire his knowledge of the market in several ways through:

1. Personal observation, inquiry, and experience. Previous experience in selling may have indicated to him the classes of buyers and the buying habits of those classes.

2. Information furnished by the house. Some companies furnish information as the classes of buyers; others go so far as to give individual names and pertinent data. Important also is the study of customer records. The salesman who carefully studies customer records and has the background of customer relationships in mind in his contacts possesses a very distinct advantage over the man who

¹ See Chapter VI.

proceeds in ignorance. The house may furnish information to the salesman based upon market analyses.

3. Information from such sources of market as trade lists, auto lists, or newspaper lists.

Practice in compiling lists of prospects is urged by some schools for insurance salesmanship. Analysis of the needs of individual prospects, in order to determine the type of product suited to their needs, constitutes the bulk of such training of salesmen relating to the market.

TRAINING THE SALESMAN TO SELL

The most difficult of the tasks of the training process is the training of the salesman to present his product to the buyer effectively; in other words, teaching the salesman to use his knowledge of the product and his knowledge of the market in such a way as to convince the buyer that he needs the product, if he really does. The training of the salesman to sell may be based upon a general consideration of the elements of the selling process—an attempt to give the salesman a knowledge of the psychological steps and to give him illustrations of better methods of carrying out the selling process. The soundest training is undoubtedly that which shows the salesman how he may present his product to the buyer in such a way as to convince the buyer that his wants will be satisfied through its purchase: (1) The salesman may study the product and the market and trust to inspiration of the moment to suggest methods of presentation. (2) The salesman may, from a sales manual, letters, bulletins, or contact with other salesmen or sales managers, learn of methods which have been successfully used in selling. (3) The salesman may, on the basis of his study of the product, his previous experience, and knowledge of the buyer, develop a plan possibly in the form of a sales talk which he thinks will be effective in practice, modifying it on the basis of subsequent experience, and according to the type of buyer approached. (4) The salesman may commit

to memory a standard sales presentation furnished by the employer. (5) The salesman may practice selling under the tutelage of another salesman, an official, or an instructor.

Some few companies, in their effort to train salesmen to sell, require the salesman to take a generalized course, following frequently conventional divisions of the subject of salesmanship, dealing with approach, interest, desire, and action. The common practice, however, is usually a compromise, in which the salesman is given information about the product, possibly given examples of selling talks used by some salesman, given some information about the market, and told the selling points of the product, as a basis for building his own selling talk. Such a method places more responsibility on the salesman but, at the same time, makes more definitely an allowance for variations in type of customers and is a sounder method, so long as the salesman is urged to plan his work and does plan his work carefully.

In the teaching of the presentation of a product or a proposition, the salesman is frequently helped materially by being provided with answers to common objections. As has been mentioned in connection with the sales interview, the number of objections which are brought up in the course of an interview seems much larger than is really the case. A study of objections brought by customers usually reveals the possibility of classifying them into comparatively few groups. Logical answers to these objections then will enable the house to suggest to the salesman various replies which will fortify the salesman in his interview and will give him greater confidence in himself.

Specifically, in the teaching of selling it is possible for the salesman to learn, from courses given by his house or from general training courses, the characteristics and selling points of his line, the general principles underlying the needs of buyers, the relating of products to those needs, and some understanding of buying motives. It is impossible, however, to go so far as to establish definite and detailed

rules for the conduct of an interview which, if followed, will make the salesman successful. In response to demands rules have sometimes been established, but, while they may have been successful on occasion, they have only limited application, and are apt to do more harm than good, in so far as they cause the salesman to lose sight of the need of fundamental knowledge and need of understanding and consideration of the buyer's view-point.

SECURING TRAINING FOR PERSONAL SELLING

The prospective salesman may secure the requisite training in several different ways:

1. The oldest and most common method is that of self-training. The salesman who wishes to engage in selling goes out into the field and tries to sell. He may endeavor to acquire the requisite knowledge for successful selling by study while engaged in his work.

The salesman who has ability, will power, and persistence, may by intelligent effort fit himself for the job he holds or even a better one, provided he proceeds upon a sound basis in the development of his ability as a salesman. The only sound basis is that implied in the definition of salesmanship given at the beginning of this volume; namely, that every sound sales transaction is one which is beneficial not only to the seller, but also to the buyer. The salesman who studies the needs of buyers, with a view to best serving those needs, will inevitably acquire knowledge of the type necessary to fit himself for successful salesmanship. The study of firm advertising, of catalogs, of price books, of advertising literature, of experiences of buyers; the reading of sound books upon selling and other phases of business; the study of merits and faults in his own work with a view to betterment—all help the man who has the wish and will to help himself. However, it is only the very unusual man who does not lose time and waste much effort in the process of self-training. The former prevalent practice of furnish-

ing the salesman with a price book and a catalog and then sending him into the field without further experience or training was wasteful both of human ability and effort, and of money.

2. The salesman's employer, recognizing that the salesman should know more about the house and the product and possibly something of selling method, may provide for a period of training, often making the sales manager or other executive responsible for providing the salesman with the rudiments before he is sent out on the road. The salesman may first spend several days or weeks in the house. He may be left to take care of himself, told to ask questions, but very frequently he feels that he is imposing upon executives by asking such questions and tends to leave many things undone and to go out with an incomplete knowledge, based upon a series of inferences which may or may not be correct. He may be assigned to various departments or various officials in a prescribed order to give him a picture of the business as a whole and to acquaint him with the product, policies, and practices of the house. This method is open to a good many objections, because it is incidental to the main work of the sales manager or subordinates and, therefore, tends to be slighted in the pressure of other duties. The sales manager, of course, should feel more responsibility for such training than general executives who are sometimes made responsible for the training of the salesman with respect to characteristics of a product or general policies of the enterprise.

3. The salesman may take a special company course, organized and offered by the employer to equip salesmen to sell his product. It may be offered at headquarters or at branches, may consist of classwork or practice instruction, or may be offered by correspondence. Sometimes special instructors are employed; at other times officials are made responsible for the instruction. The course may last only a week or two, or extend over a year or more.

4. Lastly, the salesman may take courses in business schools, colleges, universities, or correspondence schools, which have a more or less direct bearing on selling work. In many institutions there are courses in salesmanship and general business subjects. Recognized universities carry courses in salesmanship in their curriculum, though generally too much attention is paid to details and too little to fundamentals. None of these courses, however, with only a few exceptions, can be applied directly to a particular business without acquiring knowledge of the product. They can only give general principles and illustrative applications, for since the student frequently does not know the type of business in which he will be engaged, it becomes necessary to make such teaching as broad as possible. The exceptions consist of training courses for insurance which are now offered in several institutions—New York University, University of Pittsburgh, and elsewhere—an outgrowth of one of the few sound experiments in the application of scientific method to sales management and to the training of sales force, an outgrowth, for the most part, of the work of a small group of psychologists formerly at the Carnegie Institute of Technology. The training course developed here for insurance salesmanship has been supported by the insurance companies and has had a very definite effect upon the training methods of the leading insurance companies in general and has proved, in the case of the individuals who have taken the course, to be based upon principles which are correct, both in theory and in practice. The records of salesmen who have taken the course furnish excellent proof of the possibility of teaching salesmanship, of training men to sell.

Courses in accounting would be valuable to those who wish to sell certain types of office appliances; courses in mechanical subjects to those who are engaged in selling mechanical products; courses in general business subjects to those who wish to broaden their outlook and their ability

to meet business men on a better footing. The ambitious salesman, who wishes to advance in selling work or to get into executive positions, will find it possible in every locality either to better his equipment by resident or correspondence study along lines which really give him a broader basis, and do not attempt to give him specific rules for selling which will enable him to become a "master salesman." Such specific rules cannot be given, are not known, and are generally unsound. The claims of certain correspondence schools concerning training for salesmanship and character analysis are highly exaggerated, if not absolutely false. On the other hand, since the educational process benefits the student in proportion to what he puts into it, any course which teaches the truth may yield benefits out of proportion to its cost.

SPECIAL CORPORATION SCHOOLS FOR TRAINING SALESMEN

The difficulty of securing salesmen who have been properly self-taught or who have been taught in such a way as to make them most useful to themselves and to their employers has led many corporations to make definite plans for the training of their salesmen in special schools. These schools may or may not be profitable from the view-point of the house, depending upon the degree of success which the training enjoys as evidenced by subsequent results, and upon the number of men which the company retains after they have been trained. It is, of course, unwise from the view-point of the sales organization to attempt any extensive course of training if it cannot expect to keep a sufficient proportion of the men to enable them to get back the cost of such training in the additional efficiency of the men on their sales force.

There are three general types of special schools maintained by corporations in which a salesman may secure training. There are training schools which consist entirely of plant study, the student spending all of his time in such

study. He may be either in the employ of the company, receiving a nominal salary during that period, or merely taking the course of training as preliminary to employment by the company. Sometimes employment by the company is made dependent on a successful record in the course. The purpose of such courses, according to a report of the National Association of Corporation Schools, is both that of giving specific information necessary for the performance of specific duties and of furnishing a broad knowledge of the business organization, policies, products, and methods. It is expected that by confining attention to study and not mixing study with time-consuming work in the factory, the salesman will be brought to highest effectiveness in the shortest time. Sometimes the courses are of a general nature at the outset, while the specific training for sales work does not begin until there has been an opportunity to observe the particular bent of mind of each individual. Such a course is expensive for the company which maintains it, particularly if the course is long and if equipment and the time of special teachers are employed to give greatest effectiveness. Such courses are, however, usually less than six months in length—for the most part only a few weeks. Courses are frequently held at headquarters or at the plant. This is particularly true of companies manufacturing technical products in which there is an advantage in being near to the manufacturing plant and thus being enabled to demonstrate the manufacturing processes and the product in use under the most favorable conditions. For other types of product, the emphasis is placed upon the presentation of the product and upon a study of the market. It is sometimes possible to hold sales schools at branches, a less expensive plan because it avoids transportation to the home office, maintenance while there, and is a plan which enables practice work to be carried on in the field in which the salesmen are to be used. This sort of a study course is characterized, not so much by definite plan and outline, because there are other types of courses in which definite

planning is just as characteristic, but rather by the emphasis upon classroom work, conferences with instructors, written and oral reports, examinations, and home reading and study. In this and in other training courses observation trips and talks by the company officials are frequently included, while records are kept of the performance in class work of the student, and, of course, it is only proper that records should be kept to show the success or lack of success of the salesman after the course is completed.

The second type of course is much more common, and consists of a combination of study and of practice. The preparation of each varies widely; sometimes half the time is spent on study and classroom work and the other half in the factory or sales department. In other cases, only a small portion of time is spent in study—most of it in practice. Since these courses are open only to employees, they become a smaller burden on the house because the student's time is partly productive. Some firms assert that the salesman should spend time in various departments, working in these departments in order to secure the knowledge of the product, and that it is undesirable or impossible to attempt to teach the student by classroom methods. At its best, the study and practice course is carefully planned, men are shifted from department to department to give a variety of experience, and the work assignments are chosen for the purpose of giving experience and not so much for the convenience of the foreman. In other respects, the course is much the same as the study course with observation trips, talks, and conferences. Records are maintained and developed as a necessary means of analysis and control. A full-time instructor is usually employed for the study course. For the study and practice course, the employment of such a man is not so necessary; frequently some one of the subordinate executives is given the immediate responsibility for seeing that men are trained in the various departments, while a plan is developed whereby executives hold a series of conferences to supplement the practice work.

The third type of course is the work course, likewise employed by companies whose sales managers and general executives are convinced that the salesman should have some experience in the factory before he is put out on the road. The prospective salesman then is employed in various departments and is expected to get his experience and training without special supervision, although he may be transferred from one department to another at intervals to gain a variety of experience.

The Metropolitan Life Insurance Company illustrates the practice of one of the insurance companies in the training of salesmen, although in details the training courses vary widely. Those who have no opportunity to go to a resident school of insurance salesmanship are furnished with a correspondence course which contains information on the product, insurance salesmanship, and the scientific foundation of life insurance. The plan of the Phoenix Mutual illustrates a development in agency requirements for superior training in insurance salesmanship. For instance, in a statement to salesmen, the company asserts that it uses only full-time men and that it requires certificates of graduation from approved training schools from all applicants. The company offers an intensive course in life insurance for salesmen, running for three weeks in the home office. Five such schools are held each year. All of this is preceded by a correspondence training course, after which the salesman must go to the home office of the company at his own expense for the period of three weeks. Unless a passing mark is secured, the salesman is not permitted to continue under contract with the company. Only employees of the company who have been carefully selected with the aid of mental tests, ratings, and references may take the course. The training consists, therefore, of a correspondence course of 18 lessons, a preliminary field training period, the home office training school, and supervision after the training school.

While other types of business have not been so active

in furnishing the opportunity to prospective salesmen to improve their salesmanship, there is much to be learned from the practice of the best life insurance companies which can be applied to business generally: (1) the emphasis upon careful choice of employer by salesman and salesman by employer; (2) the clear demonstration of the possession of needed qualities before admission to the intensive training courses; (3) a careful planning of the training course for every hour of the working day; (4) the including in the training course of actual practice in selling. Where actual practice under supervision is possible, it is to be highly recommended. It is true, however, that in many situations it is not possible to give the salesman actual practice, because the number of prospects is too small and the importance of each prospect is too great to permit of practice work. Yet it is almost always possible for the new salesman to accompany an older salesman and watch the older salesman at his work.

Many firms which have no formal courses for the training of salesmen make it a practice, after the salesman has become acquainted with his product, to send the recruit out into the field in the company of an older salesman. In so far as the older salesman is a good salesman—a man who is successful on the basis of sound methods—this plan will be of distinct advantage. But, in so far as the older salesman uses incorrect methods, in so far as he succeeds in spite of his methods, in so far as he gives wrong ideas to the new salesman, the results will be unsatisfactory. There is much greater assurance, of course, that the man who is chosen for the purpose of breaking in new salesmen will set a proper example to salesmen and be able to criticize more definitely the new salesmen's work than the older salesman. Very frequently the older salesman does not possess analytical qualities which will enable him to point out the faults of the new salesman or enable him to know why he himself has been successful in his selling work. Frequently the older salesman cannot correct the new salesman

in such a way as to encourage the novice to do better, but will discourage and antagonize him so that there is no net gain from this period of directly supervised work.

The expense of some training courses is borne entirely by the company. If the company uses the training course as a means of sifting out the applicants for sales positions, obviously it is impossible to make more than a nominal charge for it. If the training can be applied to practice in a broad field, such as insurance, there is justification for making a charge for the course, or at least for the company's assuming no more than the cost of instruction and compelling the student to furnish his time and his living expenses during the course, and his transportation to and from the place where the course is being held. On the other hand, if the training is highly specialized, usually open only to men who are to be in the employ of the company which gives the training, if it requires a long time, a salesman is warranted in expecting that the company will give him a nominal salary or nominal compensation during the period of training.

As a whole, organization training courses of study, study and practice, or practice only, leave much to be desired. There are outstanding exceptions to the general statement, but for the most part there is no allowance for the differences in types of men who are chosen. In some cases the men chosen have mental ability of such a grade that the training course is entirely too long. The prospective salesman becomes discouraged because he is not using his abilities, and he leaves the company to go into some other work because of the rigidity of the opinions of executives regarding the period of time needed to learn the business. Special care must be taken, therefore, in determining the length of the course, so that it does not appear to the prospective salesman that he is being put through a training course that is unnecessarily long at a very low salary, the result constituting a form of exploitation of labor. On the other hand, some of the firms which have long training courses

claim that the course is intentionally made longer than is necessary for training purposes to test the student's quality of persistence and of stick-to-it-iveness. That may be a logical objection to shortening the training course, but it is entirely possible that the course may have the result of alienating the loyalty of men which the company wants to keep because they feel that, if the course is unnecessarily long, it is indicative of the company and its policies as a whole, and therefore indicative of a company with which they do not care to remain connected.¹

¹ A brief description of a few selected corporation schools may give the reader a more concrete idea of what is actually being done by organizations in various trades and under dissimilar circumstances. The training offered prospective salesmen by a company manufacturing store equipment embraces:

1. *Preliminary training in the agency office.* After being selected, the student-salesman spends from ten days to two weeks in the agency office. During this period he receives instruction from the sales agent or an assistant. The basis of this preliminary instruction is the pamphlet, *Employing and Training Junior Salesmen*. The purpose is to prepare the student-salesman so that he can make an intelligent canvass of the territory where he is to work. The instruction includes a study of merchants' troubles and system-needs, together with a study of the features of the product, functions, and their value to merchants.

2. *Canvassing and field training.* On completion of his preliminary office training, the student-salesman is assigned to his territory for the purpose of making a door-to-door canvass. The purpose of the canvass is to render service to the company's users, as well as to merchants not using the product, and to create prospects. This work is done under the supervision of senior salesmen.

The student-salesman reports to the sales agent or senior salesman at the office once each day for the purpose of reviewing the calls made and turning in reports. His work is carefully observed and suggestions are made for improvement. This canvassing is continued until the student-salesman becomes proficient in analyzing the needs of merchants and developing live prospects. The method of working is outlined in the pamphlet, *Plan of Working for Junior Salesmen*. As the student-salesman progresses, his canvassing work gradually decreases, and he spends an increasingly greater portion of his time in following up live prospects. During all of this time he attends daily as well as weekly meetings of salesmen if in a large city. He learns as much as he can absorb in this time about store systems, their weak points, the value of the functions of the product, and the company selling plan. Men who have had three months' or more field experience and have indicated promise of becoming successful and permanent salesmen are eligible for entrance in the sales school.

3. *The sales school training.* The sales schools are generally held at the home office, although at times in the larger cities of the various sales divisions such as New York City, Chicago, Philadelphia, St. Louis, and San Francisco. It has been the company's plan to have from 25 to 35 men in each class.

The course covers a period of six weeks. Sales agents are notified in advance of the holding of schools in order that they may have sufficient time to select new men and give them the preliminary field experience that has already been described.

Division managers and the sales education division supervise the enrolment of students in the schools. Previous to the opening of the sales class, each student-salesman is personally interviewed by the division manager and the instructor. A personal history record covering personal and business history, compiled by each student-salesman, is used as a basis for interviewing. After the personal interviews are concluded, it is possible to classify the men in accordance with their experience and to select as squad leaders the men who have had the widest experience in the business and who will most likely make the best leaders. Squads are then formed, consisting of two men and a leader for each squad; each squad being made up of men having varied experience. The men are seated in squads at the beginning of the class-work and they retain this seating arrangement throughout the course. At the conclusion of the classroom work each day they meet for two hours for more intensive study and practice. Two-hour squad meetings are also held three nights each week.

The company pays a fixed amount to student-salesmen while they are attending the school; also all expenses of the trip from the sales agency to the plant and return. In addition, the company pays all living expenses of the students while they are being trained.

4. *Training after attending sales school.* At the conclusion of the sales school, the student-salesmen report to their respective sales agents, where they come immediately under the supervision of the agents.

Those in metropolitan agencies are required to attend an agency meeting each morning, at which time they report the following facts about the preceding day's work: (a) calls made, (b) letters requested from factory, (c) propositions made, (d) advertising distributed, (e) demonstrations made, (f) points (business) secured.

Evening meetings are held once a week in agencies for the purpose of discussing methods of using the sales helps furnished by the company and exchanging sales ideas.

After the student-salesmen return to their agencies, they receive from the sales education division a monthly school bulletin. This bulletin contains the selling records of men who attend schools, new selling plans, and inspirational articles. They are frequently visited by division managers and instructors.

An important manufacturer of rubber goods, located at Akron, has worked out and successfully used a detailed method of training.

The actual preparing of a training program has been conditioned by the nature of the sales force. There are seven different kinds of salesmen, those selling the general line, special mechanical goods, manufacturers, sole and heel, corporation, government, and accessory and repair material. Since each of these classes of salesmen has somewhat different functions, a single training course would not be adequate for all of them. However, each class of salesmen should be familiar with those things which are taught general line salesmen, who comprise over three-fourths of the sales force. Therefore, the program provides that all classes of salesmen shall attend a standard course prepared for general line salesmen in addition to receiving any other instruction peculiar to the class to which they belong.

It, moreover, is a policy of the company not to give expensive training to men of absolutely unknown selling ability. Therefore, the resident course in Akron has generally been given only to men who have been on the sales force for six months or longer and who, from their work and results obtained, seemed worthy of further sales education.

Another feature of their training program is the provision made for the training of experienced salesmen. While older salesmen are not compelled to take training, a thorough course of training has been prepared for those interested in improving their sales performance.

The training for new salesmen depends, first, upon the distance of the salesman's territory from the home office, and second, upon whether the new man is employed initially as a salesman or is first placed in the service department at a branch on a regular service department position.

When new salesmen are employed for service in the field, and where distance is not a barrier, they generally go to Akron. Trips are arranged through the factories where the new salesmen are given information regarding the company's manufacturing processes, and where the actual operations are explained to them.

Many of the men are then placed in the tire repair school to secure knowledge bearing upon the various causes of tire failure and tire abuses and their remedies. This course, which was provided primarily for customers engaged or interested in tire repairing, requires four weeks for graduation.

The men are also given special instruction covering the sale and service of the company's products. This instruction is received by actual contact of the salesman with the company's various sales departments. A schedule is maintained by the sales personnel department so that salesmen coming to Akron for sales training will come into contact with, and receive instruction from, every department.

It is the company's experience that this type of training is most effective in small groups of two or three men. It gives them something in common to study and creates among them a feeling of interest and friendly competition which is often lacking in large classes.

Some field work with one of the salesmen on territory in or adjacent to Akron is often included in this program of training.

They are then ready to receive further training in the branch office to which they are assigned. This additional branch training requires anywhere from three days to two weeks. It consists of time spent with practically every one in the branch office with whom the salesman will later come into contact, such as branch manager, service manager, sales promotion man, telephone salesman, adjustor, and counter salesman. In addition, it is generally arranged for the new salesman to spend several days on a sales territory with one of the old experienced salesmen.

The salesman never solicits business of his own volition and on his own initiative until he has been trained. If a man is appointed for work initially as a salesman in a branch where the distance from Akron makes immediate training in the home office impractical, he receives all of his initial training in the branch. The course of training is practically a combination of the Akron training and the branch training, excepting the

trips through the factory and the time spent in the tire repair school. When a new salesman receives his training exclusively at a branch, the time spent in the branch in this training is generally of longer duration than when he receives the combination Akron and branch training.

Very seldom is a new man employed for work initially as a salesman. Whenever possible, men with sales experience and a personality considered desirable in selling are employed for work in the service department at a branch. This permits the man so placed to become thoroughly conversant with the company's policy and product, to familiarize himself with all branch operations, and to become acquainted with practically all dealers in that branch, either in person, or by telephone or correspondence. He may also take the company correspondence course in salesmanship.

In a year or so, this service man is sufficiently acquainted with his trade, so to speak, to be readily and safely assigned to any sales territory in that branch for which he is best suited. This plan also has the added value of permitting the branch manager and others in the branch to become thoroughly acquainted with the new man, his ways of working, his ability to get along with others, his sales ability, and other personal characteristics. The branch manager is thus much more certain of the new salesman's possibilities than would be the case otherwise.

One large producer of pharmaceutical goods, who hires only graduate pharmacists, offers a training course which runs from two to three weeks. The lectures are given by the chemists in the employ of the company and by the heads of the various departments. If the student does not pass the course, he is reimbursed for all of his expenses, given a small salary and dismissed. If he does pass, he reports to a division sales manager who spends about two weeks with him in the field, the first three or four days of which are given over to demonstrations by the manager. A salesman is observed during a probation period of three months after he is given a territory.

A large floor covering manufacturer, after selecting his new salesmen from the senior classes of certain colleges and universities, sends them to the factory where they work in overalls for three months. They then spend some time in the other non-selling departments of the organization, such as purchasing, ordering, billing, accounting, and tabulating. At the completion of this stage of their training, they are transferred to a retail store for a week, during which time they see floor coverings laid. The last month is spent in studying the advertising policies, dealer helps, more general marketing policies, and in handling inquiries. The student-salesmen are then ready to go into the field under the supervision of an experienced executive who travels with them.

One of the nationally known organizations manufacturing building materials requires its new salesmen to spend some time under each department head in the main office. After going through the factories, they are then turned over to the general sales manager, who sends each man out with an experienced salesman for a period of two weeks before any assignments are made. The sales manager of a second company producing somewhat similar products, first sends his new men to the factory, then to buildings under construction where the product of the company is being used, and then direct to the field where for a week or two they work under the direction of the older men. At frequent intervals, however, the men are called into the office or are interviewed in the field by the sales manager who goes over the line with the man.

A manufacturer of iron and steel products has developed a training course serving a twofold purpose: to train executives as well as salesmen. Each class is limited to six men, and the training covers a two-year period. This school is an example of the work and study type, for, since practically every member is required to have been with the company some time prior to application for training, he carries on his regular work and attends school on his own time. The course includes a study of chemistry, physics, general metallurgy, blue-print reading, economics, industrial history, salesmanship, psychology of business, business law, and correspondence. Each student is given three inspection trips a month, on company time, to study company processes, products, organization, personnel, as well as the plants of other companies. At the end of every six months, each man has to report to an executive, to whom he has been assigned, on the progress that he has made. Outside instructors are hired who not only make regular assignments, lecture, carry on class discussions, arrange for inspection trips, but also aid each student personally, by helping to develop his peculiar abilities. Upon the successful completion of the course, the students are given certificates of graduation.

COMPENSATION OF SALESMEN

The nature of compensation. The purposes of the compensation plan. The salary plan. Commission plans of compensation. Combination plans—salary and commission. Combination plans—bonus plans. Profit-sharing as a method of compensating salesmen. Use of several plans of compensation. Expenses in relation to compensation plan. Compensation problems.

THE compensation of the salesman is the reward or remuneration which he receives for work that he does. This reward usually takes the form of money, but it sometimes takes the form of defraying of expenses and the like which are not paid to the salesman except in return for outlays which he himself may have made. While the congeniality of association, pleasantness of contacts, and satisfaction derived from work are elements in compensation, they cannot be considered here.

Since distribution is an economic activity, it follows that it is customarily undertaken by those engaged in it in the hope of economic reward. That reward may be immediate or it may be in part a future reward—the expectation of higher earnings at some future time. Although some men with an extraordinary inclination toward selling work might continue to sell without such reward, yet the salesman's compensation is the mainspring of his activity. Just as it has continually been said that in selling, the sales transaction must be an economic exchange—that is, an exchange in which both parties benefit—so an economic exchange is involved in the exchange of the services of the salesman for the compensation provided by the employer for the salesman's work. On the one hand, the salesman offers his services; on the other, certain money or goods, training, experience, or hope of increased future rewards is offered

by the employer. It is obvious that, unless the bargain is mutually beneficial, the employee will not be satisfied and, since salesmanship is not in most of its forms a purely routine activity, it cannot be performed in the best fashion if a counter-influence is set up by dissatisfaction. A particular plan must not only be beneficial to the salesman but must also be acknowledged to be so, because the psychological effect of an equitable plan is not secured unless it is believed by the salesman to be equitable. From the view-point of the employer, it is of course desirable to have contented employees to perform good work for correspondingly good pay. Many employers of salesmen have felt that it was immaterial whether the salesman sold little or much, if he were paid on the commission basis. That is far from being the case. Even if the salesman pays his own expenses, failure to work the territory, the possibility of creating ill will and increasing sales resistance in the territory is so great that poor work with poor pay is not compensatory in the fashion that good work and good pay balance each other.

Two questions are involved in salesmen's compensation plans—first, the level of the income which is to be received by the salesman for his services; and, second, the methods of payment, the arrangements whereby this income is to be paid to the employees. As to the level of income, little can be said that does not apply to every class of compensation for work. The income should be sufficient to provide, first, for maintaining a reasonable standard of living for the salesman in his class. This should provide a salesman sufficient for the education of his children, as well as a margin for saving. In the case of industrial employees, the margin for saving is sometimes not included but other methods, such as pension systems and the like, are devised to take care of this requirement in recognition of the tendency of men to fail to allow for it in determining their own expenditures. But the more rapid turnover in the ranks of salesmen makes it difficult for any concern to escape pro-

viding directly for this element in compensation. A compensation plan which is satisfactory to the salesman must contain these elements and even more, if the effective salesman is to be satisfied. Such matters as promotion, loyalty of the management to the men and the men to management, and so on, are also of importance to him. The second factor determining the total amount is the competition in the trade and in business for the services of salesmen of the particular type needed. In some respects this competition is very effective. The house which pays its salesmen more than the prevailing rate attracts salesmen to it; the house which pays less does not. But there are many curious cases in which firms are paying their salesmen less than the prevailing rate for similar effort, yet the salesmen stay with the company. There seems to be lack of competition, in part due to the reluctance of salesmen who are underpaid to change habits of loyalty to a concern, and in part due to ignorance of the rate of payment in other companies and to satisfaction and pride in their particular work. The third factor is the general policy of the company regarding earnings. That of a given company may be one of paying no more than the going rate for its salesmen. The policy of another company may be to depart from the going rate as far as payment for performance is concerned, but to hire only those men who can be trained to make more than the average yearly compensation of salesmen in the trade, to keep men on the force who are better than average producers and who get correspondingly higher income. The fourth factor, a very important one, is the nature of the market for the product. If the market is one in which a demand must be created, in which salesmen with an uncommon type of training are necessary, the compensation will, of course, be higher in total than in one where the products are well known, one in which the knowledge and effort required is very considerably less for a given volume of sales than in the other. Last, given a particular type of task, the compensation in total will vary with the supply of

men capable of performing the task. For certain types of tasks there are comparatively few men who are able to do the work; for other types there is almost an unlimited supply.

THE PURPOSES OF THE COMPENSATION PLAN

The purposes of the compensation plan should be: first, to give adequate compensation for work done by the salesman, adequacy to be based on the considerations mentioned; and second, to give such compensation in a way which will call for sufficient effort, of the nature desired, when and where desired, in order to develop a loyal sales force, and reduce turnover among salesmen, while keeping the unit costs of sales force at the lowest consistent figure. It is obvious that the compensation plan should not be so arranged as to induce the salesman to give less than the amount of selling effort to his task than is needed for its proper performance. One may sometimes criticize a salary plan of payment because it does not induce the salesmen to put forth a sufficient amount of effort. Effective selling requires not only hard work but intelligent work to produce maximum results. The character of this effort, the intelligence of the effort put forth may be assured in a measure by an adequate compensation plan, just as the plan may lay emphasis upon the performance of tasks when and where they are desired. For instance, a certain compensation plan in a seasonal industry provides for additional compensation for salesmen during the slack season, an instance in which the compensation plan is aimed to secure effort when particularly desired. Likewise, the combination of a territorial quota plan with the compensation plan aims to develop selling effort when and where it may be desired. The compensation plan should, furthermore, be such as to satisfy the sales force, to make them feel that the employer is just, both in giving a liberal total income, and in devising the plan so that each man gets his award in accordance with

his efforts. Sometimes the commission plan secures the sort of effort desired, but develops a type of rivalry which militates against building up a loyal sales force. The result of building up a loyal force of men who can and will perform the sales task in the way it should be performed and who are properly compensated will be a reduction of the turnover among the salesmen, provided that in other respects their work is pleasant. It must be recognized, of course, that even adequate income and an inducement and willingness to perform the work in the way in which the firm desires, are not alone sufficient to make the salesman happy in his work. He must have confidence, both in the firm and in his customers, as well as in himself.

The plans of compensation for salesmen's efforts vary widely. The reason for such variation is very clear. In the attempt to get a satisfactory compensation scheme, employers have cast about for plans which would satisfy the two general purposes. The two general methods of compensation which are in use today are, first, salary methods in which compensation is based upon the time occupied; and, second, the so-called commission rates based much more directly in proportion to the amount and quality of work done.¹ The first corresponds to the day, weekly, or monthly wage rates; the second to piece rates. Other elements may be added, such as bonuses, profit-sharing, and the like, and the two methods may be combined in various

¹ In an investigation carried on among wholesale grocers by the Harvard University Bureau of Business Research (Bulletin No. 14), 57% of the businesses, with an average of seven salesmen each, paid their men straight salaries. Only 8% used the commission plan, while 18% combined the two methods. The remaining firms used a mixture of methods.

The Bureau of Business Research of New York University secured replies from 76 members of the National Coffee Roasters' Association. Nineteen per cent reported that they paid their salesmen on a straight-salary basis. Only 4% paid a straight commission. Twenty-three per cent stated that they paid a drawing account and commission. The remaining 54% used a combination of these and other plans.

Of those paying commissions, over half, or 56%, paid on the basis of net sales. Sixteen per cent paid on the basis of gross profit less deductions; 16% on net profits; and 12% on gross profit without deductions.

See Appendix I for detailed examples of methods of compensation.

ways to eliminate some of the disadvantages of each. Nevertheless, all the methods of compensation aim to provide for compensation in proportion to results attained, although adjustment in the case of pure commission methods is automatic, in so far as results can be measured by the base; in the case of salaries it is periodic and ordinarily far from automatic. Each of the two principal methods of compensation has its advantages and disadvantages, as do the numerous variations intended to offset the disadvantages of the pure forms. To choose the plan which is most advantageous from the view-points of both employer and salesman is a difficult task, and the choice should depend upon careful analysis of the factors involved.

Whatever the plan may be, it should first be studied with the following questions in mind. In the first place, will the compensation be adequate on the average to permit the salesman to maintain the standard of living to which he is accustomed and to which he has a right to hold? Next, will the prospective plan be sufficient to call forth all the latent energies and abilities of the salesman? In the third place, is the plan simple enough to be easily understood and administered? And finally, is the resulting remuneration received by the salesman fair when compared with that received by other members of the same organization as well as that received by workers generally?

To secure the full benefits of a well-devised compensation plan it should be fitted to the particular business—that is, no plan, simple or complex, should be adopted by a concern simply because it happens to be successful in some other concern. That is only evidence that the plan is workable under certain conditions, but conditions and plans should be analyzed to determine what relationship will probably prevail between salesman and house if such a plan should be put into operation. If the plan is intended to compensate properly for the amount and quality of effort desired, the first question which arises is, What is the amount and quality of effort desired? In other words, in compensating

the salesman, what is he paid for? The obvious answer, and the answer which would be given without thought by a very large number of sales managers, is that the salesman is hired to secure orders, make sales. That is true, but making sales successfully should not be his whole task. His sales should be made in such a way that good-will is developed for the house, so that repeat sales can be made at a lower cost than are initial sales. Furthermore, the salesman, as a member of the sales organization and as a member of a business concern, has certain duties to perform to bring about the correlation of his effort with that of the advertising, credit, and other departments. An examination of lists of the duties for which many salesmen are responsible reveals how few of them are adequately considered in some compensation plans.¹

In the effort to devise such plans there are a series of variations of the major methods which may be classified as follows:

1. Straight salary
2. Commission plans
 - (a) Varied according to base upon which commissions are computed:
 - (1) Sales
 - (2) Profits
 - (3) Special bases—point systems, and so forth
 - (b) Varied according to rate:
 - (1) Straight rate or unvarying rate, whatever the base
 - (2) Sliding scales, usually in the direction of increased rate for sales beyond given point
3. Combination methods
 - (a) Salary and commission
 - (b) Salary plus commission
 - (c) Salary and commission over given total—drawing account

¹ See pages 69-73.

- (d) Salary and commission with various types of bonuses
 - (e) Task-and-bonus plan
 - (f) Sales and service quota plan
 - (g) Salary and percent-of-saving plan
4. Profit-sharing plans¹

In many of the plans listed above there is variation of practice regarding traveling expenses; sometimes such expenses are assumed by the house, sometimes by the salesman. Personal salesmanship should be used only when it can bring down the cost of distribution to perform a public service.

THE SALARY PLAN

The straight-salary plan provides that the salesman shall be compensated by the payment of a stipulated sum for a period of time, usually a week, month or year. For traveling salesmen this payment is usually exclusive of traveling expenses. Salary plans of compensation of salesmen are more commonly used than any other: the straight-salary plan is probably used by a majority of business concerns hiring salesmen. It is expected that for this fixed income the salesman will loyally work with the firm; and, by doing work which leads indirectly as well as directly to sales, the results will be more desirable from the view-point of the house. As a matter of practice, the efficacy of a salary plan from the view-point of the house depends in no small measure upon the way in which the salesman either through his own initiative or through the direction of the house performs his selling tasks. If the salesman is not supported by his house or if he is tempted to slight his work because his salary does not bear direct relationship to sales, both the house and the salesman suffer.

From the view-point of the salesman, the salary-plan compensation has certain definite advantages. First, it

¹See Appendix I for detailed examples of many of these plans.

tends to relieve him of the anxiety regarding earnings which is present in case of commission plans and which may and does seriously hamper some men in their selling work. On the other hand, the fact that the salesman is relieved of the pressure and anxiety in regard to earnings may cause him to slack up in his work, to fail to exert himself sufficiently for his own good. Second, the salary plan presumably makes it possible and profitable to carry on all the different types of work necessary for building up good-will as a basis for future sales. The salesman is not tempted to slight reselling work which may not yield him immediate orders but which may be very valuable to the firm at a future time. Whether the salesman actually does such work will depend not only upon his compensation but upon his own knowledge and ability to do those other tasks, his willingness to do them, the degree of cooperation and supervision from superiors and their actual practice in judging him. Third, the fact that the salesman is operating on a salary plan makes him in a sense more clearly a member of the sales organization. There is a greater mutual obligation. The house is incurring a financial burden in maintaining him on the pay-roll, and is justified in expecting a faithful and intelligent work in return.

On the other hand, there are certain disadvantages in addition to the lack of immediate incentive. The salary plan gives an incentive only in so far as there is an adjustment of salary to the performance of the salesman and his value to the house. There is no particular inducement to push new or hard-selling goods. Since most companies make salary changes not more than once or twice a year, the salesman who develops rapidly may have to wait unduly long for his reward. Further, the tendency, with a salary plan, is to overpay poor salesmen and underpay good salesmen. The salary plan is one which lessens the clerical work for the sales department, but while it makes the salesman more definitely responsible to the house and consequently more responsive to supervision, which is a mutual benefit, it may

also call for the introduction of elements to furnish needed stimulus.

In any well-managed concern which uses the salary plan of compensating its salesmen, there must be some method of judging the performance of the salesman in relation to his compensation. The executive may use a rating plan, or some more or less elaborate "point system" in order to enable him to simplify making judgments on the basis of numerous factors which enter into any decision. The more careful and more accurate this judgment, the nearer can the salary be adjusted to value the salesman's performance. Too frequently, salaries are adjusted on the basis of only one or two factors; sometimes personal prejudices and favoritism enter. A common plan is to set a task sometimes in the form of a quota, at other times by requiring that, in order to earn the particular salary, the salesman must produce a given amount of business. One company requires a volume of sales 20 times the salary and expenses of the salesmen, a volume which in the boom period of 1919-1920 was raised to 33 times. The basis here is obviously a pre-determined percentage of salary to sales force expense. A salary plan which depends upon the achievement of a certain quota of sales has many characteristics in common with the commission plan. The prime difference is the guaranty during the period in which the salesman is connected with the house and the rough and infrequent rather than precise and constant adjustment of the salesman's compensation to the volume of sales or profits.¹

¹ A company manufacturing marmalades, jellies, crushed fruits, and fruit syrups, and which covers the entire United States, pays its salesmen a straight salary and expenses. The company has not established sales quotas and does not require field reports. Money for all anticipated expenses is advanced at the outset of a trip, and acknowledged upon the return of the salesman to the home office.

Although many manufacturers of candies pay their salesmen on a commission basis, one company has adhered to a straight salary, which it pays its men. The reason for this attitude was that the commission plan encouraged salesmen to oversell, resulting in a stale product, and consumer ill-will. A competitor, however, paid his salesmen on a commission basis with an allowance for all expenses and a weekly drawing account of \$50 which was based on the sale of \$65,000 worth of candy. A 3% commission

COMMISSION PLANS OF COMPENSATION.

Commission plans of compensation involve the graduation of compensation according to the volume of sales or profits, usually on a percentage basis. The most common plan is the straight-commission plan whereby salesmen are given a certain percentage of sales. The basis upon which commissions are calculated is usually that of net sales; that is, gross sales from which returns have been deducted. There are some firms which pay commissions on profits and net profits. From the view-point of the house, there is often an apparent advantage in paying commissions on the basis of profits, for it is from the gross profits that commissions must be paid. On the other hand, the commission-upon-profits plan is frequently difficult to administer to the satisfaction of the salesman. There may be difficulty in determining what net profits are without resorting to certain standard figures which make a plan approach in effect the commission on volume of sales. The clerical work and the delay which elapses before the salesman can determine earnings and the ignorance of the salesman as to what he is earning are serious objections to the plan. Yet it is of advantage to direct attention of the salesman to the profit on goods which the company wishes to sell.

The returns to the commission salesman will of course vary with the line of trade, with the base upon which commissions are to be computed, and with adjustments made for special purposes. In straight-commission plans, the commission may be computed upon the base without change in rate. In sliding-commission plans there may be either a

is given on additional sales. If the salesman does not reach his quota, he receives the minimum amount of \$50 per week.

An organization making refrigerators which it sells direct to the retail trade pays its salesmen on a straight-salary and expense plan. At the opening of each year, a contract is drawn up with each man for the coming year. The company changed over to this plan from a commission method, in order to secure more satisfactory control over its men. The result was that new accounts were added and weak customers were developed by the salesmen, who now felt that they had time to assist their customers sell the product of the company.

lower or higher rate for succeeding increments of business or profits. Some companies use the sliding scale of commissions in which larger percentages are paid after quotas are reached, thereby furnishing an incentive to go beyond the quota figure established. Commissions may also be computed on the basis of group performance and distributed among salesmen who are members of the group.

From the view-point of the salesman, the commission plan has both advantages and disadvantages, just as it has from the view-point of the house. First, under the commission plan the salesman is rewarded in accord with the volume of sales or profits, which, according to many executives, measures his performance accurately. The plan furnishes the incentive which a man may need to keep him industrious and alert through the fact that the house pays no compensation to salesmen unless orders are received. In so far as the salesman exerts greater efforts and commission rates are fixed at proper figures, there is sometimes a tendency toward lower sales expenses.

Again, from the view-point of the salesman, the commission plan does not limit the earnings as does the salary plan. In the pure salary plan, the earnings are limited between periods of salary adjustments no matter what the performance of the salesman may happen to be. If he is successful in selling, he may get large commissions. If he is not, he may not earn enough to pay his expenses. It is true that many high-class salesmen prefer to work on a commission basis. Successful salesmen can, as a rule, earn considerably larger amounts on a commission basis than they could secure on a straight-salary basis. There is an understandable tendency for selling organizations, which pay their men on the salary basis and take the risk, to standardize incomes, with the result that the unusual salesman is less highly paid in proportion than he would be on a commission basis. In the case of the commission plan, there is no such limitation, but the very lack of limitations tends to bring with it certain difficulties. The amount of

earnings during the early period of employment of the salesman is frequently too small to enable the salesman to live without touching his savings. The commission rate is difficult to fix so as to give the salesman a fair compensation at all times. Because he makes a great deal of money in boom times, he frequently acquires extravagant spending habits in periods of large earnings and is in financial difficulty in periods of depression because he has failed to save. Between 1918 and 1920, many salesmen received in commissions amounts which were three or four times their ordinary incomes. They raised their standards of living, with the result that hardship was felt as soon as the business boom ceased and depression took its place.

In the commission plan, the pressure is undoubtedly upon getting an immediate volume of sales or profits. The salesman is inclined to push the easy-selling goods or the goods with the largest commissions. There is a tendency to make price concessions where permitted, to fill orders. The salesman tends to neglect calling upon new customers because these take more time in proportion to his volume of sales. Since his interest depends upon getting immediate volume, he calls upon old customers and attempts to make only the calls in which he thinks he can secure immediate orders. Furthermore, since as a rule salesmen do not stay many years with one house, any missionary work which they undertake may bear fruit only after they have severed connections with the house. As a consequence, they are not eager to do the indirect selling work, the results of which may come possibly only after years of effort. Again, since the salesman is taking the risk and frequently bearing his own expenses, the relationship between the salesman and the house is by no means so close and cannot be so close as in the case of the salaried salesmen. The commission salesman is more independent, a fact which may or may not be to his advantage. The lack of complete control may prove a very serious sales problem. With good management and the active support of the house, the salesman may

be able to accomplish much more than by relying entirely on his own resources and acting independently.

Since under pure commission plans, salesmen are compelled to take the risk, many salesmen have not accumulated a sufficient amount to enable them to finance themselves until their earnings were sufficient for their support. As a consequence, many concerns operating under commission plans have provided a drawing account. This may be considered as advances against commissions or it may be guaranteed as a minimum, in which case it takes on many of the characteristics of a salary. The purpose of the drawing account is, of course, to help the salesman finance himself during the period of small earnings between periods of payment, or to help "regularize" payment. The house, in granting this privilege, believes that it is justified in providing a means for relieving the salesman of his anxiety in meeting his personal expenses. If a guaranty drawing account is provided, the house has acquired certain privileges. It is in a better position, of course, to insist that the salesman do certain things which are for the benefit of the house.¹

COMBINATION PLANS—SALARY AND COMMISSION

From the brief survey of the above it is obvious that salary and commission plans have their points of weakness as well as elements of strength. The attempt has often been made to combine them in such a way as to retain the good points while minimizing or possibly eliminating the bad ones of each. The company may give a salary to the

¹A manufacturer of men's shoes, located in Massachusetts, who sells direct to the retail trade, pays his salesmen a straight commission. The rate is 4% upon all orders for shoes sold under the company brand and 5% for special lots made up for and stamped with the name of the retailer.

The salesmen pay their own traveling expenses out of their commission, although a drawing account is provided when necessary. The company has found this method satisfactory, although it does not offer complete control over the men. A straight commission of 5% is common in the shoe manufacturing industry.

salesman based on minimum living expenses and add a commission on all sales or sales above a given quota.

The salary may be adjusted each year on the basis of the previous year's earnings, adjustments being made on the quotas. To the salesman who is operating under the salary and commission plan, it is evident that the greatest source of worry and anxiety under the commission plan is removed by the guaranty of a regular income. In so far as the living expenses are concerned, the salesman is better able to devote his attention to his work when this anxiety is removed. The commission element of the combination plan provides furthermore for the incentive which many salesmen feel they need, to keep themselves actively and intelligently at work. It allows them to vary their earnings according to their industry and their success in making sales or profits. Under this plan, practice differs with regard to the payment of expenses by the house. Some concerns pay all expenses, some pay none, and still others pay only railroad expenses. Out of a group of 51 jobbers scattered over the United States, who used the salary-plus commission form of compensation,¹ 37 paid the actual expenses of their salesmen, 3 paid a flat rate, 7 let their salesmen pay their own expenses, one used a combination of methods, and 3 failed to report.

In the plan known as salary-expenses-and-commission, which is a form of the salary-and-commission plan, the salesman's salary and expenses are deducted from the commissions earned on sales, and the excess, if any, is given to the salesman. Thus he is encouraged to keep his traveling expenses as low as possible.

Another variation of the simple salary-plus-commission plan is called "salary and percentage of saving," whereby a certain percentage of expense is established by the sales manager for each salesman's territory. By increasing sales above the quota set or by decreasing expenses below the amount agreed upon, the salesman can increase his income.

¹ *Methods of Paying Salesmen*, by C. S. Duncan, Director, Bureau of Business Research, Southern Wholesale Grocers' Association, Inc., 1921.

COMBINATION PLANS—BONUS PLANS

Lastly, there are the numerous forms of combination compensation plans in which the salary or commission or both are augmented by what is called a bonus, although here as in other cases, it is difficult to insist upon any particular terminology. If one considers a commission as referring to the compensation which varies directly with some base, then it must be contrasted with a bonus as a payment which does not vary directly, but is frequently paid on certain features, on the achievement of certain records, the accomplishing of certain tasks, or the like. Bonuses have been paid on total sales, on excess of sales over quotas, on payment of low-sales cost of increased sales efficiency, on the performance of promotional work, on the number of new customers, as well as on other accomplishments of the salesmen. The bonus on low-sales cost tends to decrease this particular form of expense. With the bonus on promotional work it is easy for the salesman to justify his devotion of more time either to good-will or resale work with his customers. The adjustment of the bonus enables the house to emphasize special portions of work which the house may stress.

The difficulty lies in developing the method of measurement which will insure the award of bonuses on the basis of value to the house. The point system in which a certain number of points in credit is given for performance of certain types of tasks is a result of an effort to take into consideration, in the compensation plan, a variety of tasks which are not recognized directly.¹

¹ An important manufacturer of snap fasteners, producing a line of some 14,000 items, establishes quotas on the basis of previous sales and estimated future conditions. The salesmen receive a salary and graduated bonus, based upon the excess sales of the branch in which they work. Each salesman receives a bonus of 3% of his basis salary for every \$10,000 obtained by the branch in excess of the branch quota up to and including \$40,000 excess. If \$50,000 excess or more were obtained, the salesmen would receive a bonus of 5% on their salary for each \$10,000 excess.

The payment of bonuses is based on the attainment of branch quotas rather than individual quotas, since it was expected that in this manner,

PROFIT-SHARING AS A METHOD OF COMPENSATING SALESMEN

The salesmen are usually not excluded from the operation of profit-sharing plans which may be established by particular enterprises with which they happen to be connected. Profit-sharing plans on the whole have not developed rapidly, but there are various enterprises in which they seem to form a very important factor in tying employees, including salesmen, to the organization.

Profit-sharing plans are based on the theory that workers in an enterprise should secure a share of the profits in order to develop loyalty, thereby reducing turnover and building up efficiency. It is argued that, if the workman in the factory or the salesman in the field realizes that he will get a share in the profit, he will be much more careful about avoiding waste and will work more carefully and efficiently than if he is assured of his income on the day rate or salary basis.

Profit-sharing as a plan is applied in various ways. Under one plan, the owners and workers share alike in the profits after the investors have been paid at least the going interest rate upon the capital investment. After paying 6%, for example, on the common stock, the employees and owners would share equally in the remaining fund available for dividends. A second plan is that of giving to the employees a dividend in the same amount as that given to the common stockholders. If the dividend to the common stockholders is 5%, then each employee gets 5% of the profits in proportion to his earnings as his share in the plan. Another plan is that of setting aside a certain sum from the profits on no definite basis except that of the judgment of officials,

the cooperation and team-work of the salesmen in each branch would be enlisted more successfully.

Another bonus plan is followed by a company manufacturing clothes-pressing machines. A sales quota is set and a bonus is offered each salesman, its size depending upon his individual efforts in doing superior work, in inspecting machines in use, and in advantageously disposing of abandoned or foreclosed machines. The bonus is paid at the end of the year and its size is determined in each individual case by the sales manager.

this amount to be likewise distributed in proportion to the earnings of each individual—sometimes higher officials are excluded. A fourth plan is that of offering stock to the members of the organization at reduced prices for the purpose of making the employees stockholders, thus interesting them in the general results of their operations in terms of profit as well as through particular incomes.

Profit-sharing plans as a whole have not had a conspicuously successful history; in fact, more often than not, they cannot be said to be successful. Employees are willing generally to accept a share in the profits, but no profit-sharing plan can assure them that a company will make profits which can be distributed each year of its existence. Sometimes, instead of profits, there are losses, and the employee who has received profits is not willing to bear his proportion of the losses. Furthermore, there have been objections to many profit-sharing plans both because the amount of profits to be set aside has been arbitrarily fixed and because the plans usually provide that no employee who has been with the company less than two years or so will be eligible for a share in them. Then this is accompanied by the accusation occasionally made that profit-sharing sometimes becomes only part of the compensation to which employees would be entitled under competitive conditions, and the statement is made that undue and unhealthy pressure is exerted upon an employee to stay with the company for more than two years because he is likely to lose a share in the profits unless he complies in detail with the wishes of the management.

For the salesman, there is no special virtue in the profit-sharing plans. Some incentive may be added, of course, if he is paid on a salary basis; the additional incentive furnished by a profit-sharing plan is very much less than if the salesman is paid on the commission basis.¹

¹In 1918, a wholesale house, located in New York City, which sells cigars, tobacco, pipes, wafer candies, and chewing gum to the trade, determined the ratio between salesman cost and the profit on each of a large number of orders. This proved to be about 35%. The company, then,

USE OF SEVERAL PLANS OF COMPENSATION

While uniformity in the plans of compensation for salesmen leads toward simplicity in the record-keeping, and in relationships with salesmen, there is no fundamental reason why a company which desires to use several different plans for different salesmen may not do so, provided the salesmen concerned are satisfied, although there is danger that any one salesman may feel that others operating under different plans are favored unless choice is given. There are three groups of companies in which several plans of compensation are used. First, there are those companies in which changes in compensation have been made and where it has been impossible or undesirable to get all the salesmen to change to the new plan. Salesmen's preferences and insistences upon particular plans account for lack of uniformity. Second, there are firms in which it is a definite principle that the plan of compensation should be so chosen for the individual salesman as to enable him to do justice to himself and to the employer. For some salesmen the commission plan works best; for others, who are inclined to worry, the salary plan would be most suitable; for still others the combination plans of one form or other are desirable. This small group of sales managers emphasize adequacy of income, and they believe that the method of paying this income should be devised to suit the individual salesman. While this plan is especially applicable to small companies, some of the larger insurance companies give an option of several plans of compensation to prospective agents. Third, since in many companies handling diverse lines of product or selling to different classes of customers,

decided to pay its salesmen on this basis. Collections were made by the salesmen and they received no commission until the customers paid their accounts. Since the company allowed returns from its customers, the profit on such returns was computed and deducted from the salesman's records of the current week. The result was, occasionally, that the salesmen received little or no financial remuneration during such a week. Later, following the depression of 1921, when the margin of profit became very narrow, the percentage was raised from 35% to 50%.

separate groups of salesmen are employed, the payment of these different groups on different bases may be advisable.¹

EXPENSES IN RELATION TO COMPENSATION PLAN

Traveling expenses of the salesmen and expenses when away from headquarters are, in most cases, borne by the house, particularly if the salesman is working on a salary basis. The expenses may be paid according to accounts rendered by the salesman at periodical intervals, a fixed rate, or a flexible rate which has a fixed limit below which the salesman is expected to keep in expenditure. Expenses are likewise paid by many companies when salesmen operate on a commission basis. But there are, however, some trades, such as clothing, in which the salesman is expected to pay his own expenses.

Because of the dissatisfaction which many salesmen experience in the handling of expenses and the difficulty which the house incurs in not knowing how to deal with them, the plan of having salesmen pay their own expenses is sometimes advocated. One advantage of this method is the simplicity of the plan in operation from the view-point both of the house and the salesman. There is no necessity of making expense vouchers. The salesman, by careful management, may be able to make a saving which amounts to an increase in his net income. On the other hand, there is difficulty in determining the portion of salary or commission which should be allocated to cover expenses. If the salesman is in financial difficulties, there may be the tendency for the salesman to skimp expenses in such a way as to give a bad impression of the house and to injure his own efficiency as

¹Of the wholesale grocery firms reported by the Harvard University Bureau of Business Research to employ a mixture of methods of paying salesmen, one paid some of its men straight salaries while the remaining men worked on a commission basis. Another paid part of its salesmen salaries, and the others, salary and commission. A third plan, which was found in a few instances, was to divide the salesmen into three groups, namely, salary, commission, and salary-and-commission. A majority of these firms reported that they paid the traveling expenses of their salesmen.

a salesman. If the house pays expenses, it has the right to ask compliance with house policy, to require reports and exercise control if necessary over the salesman's work. One of the difficulties discussed later¹ is the uncertainty as to what should be a satisfactory allowance for sales expenses and for what expenditure should be allowed.

COMPENSATION PROBLEMS

A number of problems come up in connection with the compensation of the salesman which at times cause a good deal of friction and unpleasantness unless a definitely understood and reasonable policy has been adopted. Among these problems are the following:

1. Shall credit be given for mail orders which come into the house from a salesman's territory? If so, how much?
2. Shall commissions be split if two or more salesmen or more sales territories are affected by a single order and shipment? If so, how shall commissions be split?
3. If a salesman's territory is cut down or if he is transferred from one territory to another, or if customers of one salesman are transferred to another, what adjustments if any should be made to make compensation fair to the salesman?

The common practice among companies that rely mainly on their salesmen for orders and are paying on a commission basis is to grant some credit to the salesman for mail orders on the ground that the salesman is responsible for developing the territory. The fact that a customer will send in an order is considered evidence of the value of the salesman's work in creating good-will. Some houses pay reduced commissions for mail orders from salesmen's territories. If full commissions are given, salesmen are apt to spend too little time with customers and instead ask them to send in their orders by mail when they find it convenient.

¹ See Chapters XXII and XXIV.

If no commissions are paid, salesmen are apt to become impatient with customers and insist upon their closing on the spot. One jobbing concern gives half the commission to the salesman and the other half to the mail-order department for use in promotional work in the territory covered by the salesman.

The splitting of commissions among salesmen who have to do with a particular order or shipment of sale is not uncommon. Some firms provide definitely for such division of commissions,¹ especially where the possible divisions are apt to be demanded. Other firms allow no division of commissions, though where salesmen meet frequently, *sub rosa* arrangements for the division of commissions on sales in which both have some part, are apt to develop among the salesmen themselves. The general principle which should operate is that each man should receive a share in the commissions in proportion to his part in the transaction or in proportion to his right to commissions on business done in that territory. But the actual division to suit all salesmen is very difficult, and it is certainly well to foresee the

¹ A large manufacturer of work garments includes the following statement in his sales manual:

SALESMEN'S COMMISSIONS

Payable on net sales the sixth of the month following the date of shipment.

Your account is debited with commissions on goods returned from your territory.

Your account is credited with:

Six per cent on all dealer business secured by yourself for shipment into your territory.

Six per cent on all dealer business secured by mail for shipment into your territory.

Three per cent on dealer business secured by yourself, but shipped and billed into a territory other than your own.

One and one-half per cent on business secured in another territory, shipped into your territory, but billed to still another territory. (In a case of this kind, salesman securing the order receives 3%, salesman occupying the territory where goods are billed 1½%).

Three per cent on industrial business secured in another territory and shipped into your territory.

Three per cent on industrial business secured by you personally and shipped into another territory.

most common situations and provide in advance a division which is equitable.¹

In transferring a salesman from one territory to another, especially where the second territory is less fully developed or less productive than the first, a common adjustment is that of guaranteeing that the salesman's earnings will not be less than those of his previous year. Similar arrangement is sometimes provided when a company wishes to cut down the size of a salesman's territory or when customers are transferred. But the adjustments to be made in particular cases depend so much upon circumstances that no rule can be given unless it becomes either so general or of such limited application as to be useless.

It is noticeable that practically no provision is made for salesmen's pensions. This may be due to several facts. It is believed that if a salesman is successful, he will be able to save enough for his old age. Furthermore, most salesmen do not stay long enough with any one house to make a pension practical. It is a well-known fact that the better a salesman is, the more difficult it is to hold him—he may be interested in becoming district, division, or general sales manager, he may be planning to go into business for him-

¹The complexity of the situations which arise is well illustrated in the following cases, quoted from *Sales Management*, August, 1921, p. 513.

A Chicago manufacturer has a representative in Boston. The home office of the Chicago manufacturer sells a large concern in Boston without the aid of the salesman, who has had the opportunity to call upon the Boston concern. The salesman claims credit, basing his request on a technicality in his contract which calls for commission on all goods sold in his territory, including mail orders. Later the business develops and the Boston concern buys at Boston for its branches all over the country. The question arises whether or not the salesman is entitled to the credit for the business; if so, is he entitled to credit for orders being shipped to all parts of the country?

A large manufacturer has saw mills in Oregon, Louisiana, and Minnesota. His office is in Chicago. The Louisiana salesman for a belting concern sells the superintendent of the Louisiana mill, who makes a requisition on the purchasing agent. The latter gives the order to the Chicago representative of the belting concern. Both salesmen claim credit. Later the Chicago salesman through his efforts induces the purchasing agent to standardize on belting for all three mills. The Chicago salesman then claims commission on all business, while the Oregon and Minnesota salesmen claim commission because the belting is shipped into their territory.

self, and at least he is continually on the lookout for a better traveling position. The New York Life Insurance Company has a plan whereby a man who has been with the company 20 years can retire and receive a fixed monthly income for the rest of his life, which is determined by the amount of work which he has done under prescribed rules for 20 years. It happens, however, that in the majority of cases the men continue working, many of them earning more than before.

CREDITS AND COLLECTIONS IN THEIR RELATION TO PERSONAL SELLING

The sales department and the credit department. The credit department and its work. Sources of credit information. Credit terms. The salesman's work in relation to credits. The salesman and collections. Installment credits and collections.

THE successful sale of goods is not consummated until the goods are paid for; for the process of exchange is not completed until the customer or buyer has received the goods and until the seller has received his consideration. But the seller in the majority of cases under present conditions does not receive the payment for the goods upon their delivery. Retail stores ordinarily extend credit on a large proportion of their purchases. Wholesale houses extend credits to the retailers to whom they sell. Manufacturers extend credit to wholesalers. Sometimes the credit terms are very short and the risk involved very small, but there is ordinarily a lapse of time between the sale of the goods and the payment therefor.

The salesman is particularly concerned with credit and collections for several reasons:

1. The salesman's value to his house is being judged more and more commonly on the basis of the net profit he brings into the house, and not alone on the volume of his gross sales. Obviously bad debts diminish the volume of profit, for if the net profit of a wholesaler in groceries is 1.1%,¹ the loss of a \$100 account will mean the loss of profit on \$9,090 of the salesman's business; or if the wholesaler in drug loses \$100 in a bad account, it is equivalent to

¹ Harvard University, Bureau of Business Research, Bulletin Number 40.

saying that \$5,882¹ of a salesman's business has not yielded a cent of profit. In 1923 the average net profit for 501 wholesale grocery firms was only 0.7%, while the loss from bad debts totaled 0.4%. These figures suggest that a few unusual losses from poor credit risks could easily change the net profit to a net loss. On the other hand, an improvement in the taking of risks would greatly increase the net profits. Where the salesman has nothing whatever to do with getting information or with credit recommendations, such computations would obviously be unfair. Such is not usually the case, though the salesman is seldom solely responsible for a particular credit loss.

2. The salesman's income may be directly affected by credit losses. Many compensation plans for salesmen provide that the commissions upon bad accounts are to be deducted from commissions paid to salesmen; the salaried man is affected more indirectly by credit losses through the impression which the executives receive as to his judgment and willingness to cooperate in reducing credits and collections. In some few cases the salesman is made responsible on his own account for credits; in which event he must bear personally all credit losses.

The justice of deducting commissions on credit accounts which have not been paid cannot be doubted if any responsibility is placed upon the salesman for getting information or for keeping the credit department informed as to the progress of the account. If the salesman has been merely following orders in selling to a particular buyer, however, and the responsibility for credit information is correctly discharged by the salesman or not assumed in the first place, there seems to be no good reason for such deductions.

3. The salesman frequently is made responsible for getting credit information about customers both on the occasion of the initial order and currently while he is selling to him. The salesman's obligations in this respect and his

¹Howard University, Bureau of Business Research, Bulletin Number 46.

opportunities for demonstrating his ability to sell wisely and well will be discussed later.

4. Many salesmen of wholesale houses who call upon retailers and larger consumers, house-to-house salesmen, and many salesmen of manufacturers are entrusted with the duty of collecting accounts from customers upon their regular selling trips. Therefore, some knowledge of credits and the principles and practice of credit-granting is essential. Collection difficulties are lessened by judicious credit-granting. Collection unpleasantness, difficulties, and trouble are aggravated by carelessness in selling to those who cannot pay, or who will not or do not intend to pay for the goods they buy. Selling in such a way as to make the buyer feel that the sacrifice of keeping his promise to pay is greater than the benefit obtained or to be obtained from the article or goods purchased is responsible for much of the difficulty experienced in collections.

5. The credit and collection policy of the company affects the salesman's work in an important measure. The credit policy of a company determines the terms of payment which the buyer sets up as the counter consideration when contemplating the purchase of goods. The counterweight of a strict credit policy, a policy which is more stringent than that of competitors, may be sufficient to swing business away to competing companies. Favorable credit terms may attract trade, may facilitate the work of the salesman in satisfying the wants of prospective buyers. It may well happen and frequently does happen that the wants of consumers need to be satisfied at a time when the means of satisfying them cannot either easily or conveniently be obtained. Wholesalers need some credit because their capital is not, and could not, properly be sufficient to handle the peak of credit load in selling to retailers. Retailers need to grant credit to tide consumers over periods of no income, for instance, between "pay days." In many cases the convenience of the credit method is a prime reason. Further-

more, from the view-point of the salesman, the granting of credit may create good-will and cement relationships which will make future sales easier.

6. The methods of handling credits and collections likewise affect the salesman's work. The attitude of the credit manager in passing upon an application for credit, his method of handling accounts after the initial order, the methods of the collection department in collecting due or overdue accounts may either help or undo the work the salesman has been doing in building up a profitable business with a customer. The credit manager frequently makes his contacts with the customer direct, without full knowledge of the circumstances, with a wrong attitude or without judgment; he writes an injudicious letter; he may alienate a customer who means hundreds or thousands of dollars of profit to the salesman and to the house. On the other hand, the credit manager may be of valuable assistance to the salesman in helping him choose his customers wisely. Bad debts can thereby be reduced to a minimum.

THE SALES DEPARTMENT AND THE CREDIT DEPARTMENT

The marketing process includes not only the making of sales and the delivery of goods, but all the efforts and functions which are necessary for the extension of credit and collection or payment for the goods. Credit may be extended for a very short period, or it may be extended for a period of a year or more. The sales department is interested because the credit department determines whether or not orders which have been secured are to be filled. If the credit department adopts the stringent policy of refusing orders which require the assumption of even small risks, the volume of business and profits which the sales department can produce is more limited than if the credit department adheres to a policy of assuming somewhat greater risks which increase profits.

The view-points of the credit department and of the sales

department should be the same. Both should be interested in the net profit to be secured from sales, not primarily in the volume of sales itself. It is true that unless the volume is obtained a net profit cannot be secured. It is also true that if the additional sales involved an undue proportion of credit losses, the net profit may be decreased rather than increased by going beyond a certain point in granting credit applications. If, therefore, the sales department performance were measured as it should be by net profit from sales, there would be no essential conflict. Likewise, if the performance of the credit department were measured by the amount of net profit rather than by the smallest percentage of credit losses, there would be no basis for conflict between the two departments.

Unfortunately, however, too many executives and too many sales managers look upon volume of sales as the prime evidence of successful or unsuccessful performance of the department. Unfortunately, also, too many credit managers regard the absolute size of the percentage of credit losses as the test of efficiency rather than recognizing that the best credit manager is not the one who keeps losses to a minimum. The best credit manager is the one who can accept risks judiciously, and who, through the acceptance of those risks, is enabled to develop for the house an increase in business, the profits from which are much more than sufficient to offset the possibly larger credit losses which result.

From the view-point of the salesman, the credit department is frequently regarded as a detriment to sales. The salesman makes what he thinks is a good sale, only to have it turned down by the credit department, with the result that the salesman loses credit for the order and frequently loses commissions. Again, the salesman may find that the credit manager has so dealt with the customer in connection with credit applications or extensions that he has created ill-will and increased the difficulties the salesman experiences in making further sales.

Since the credit department may come into definite contact with customers, it is essential that there be full and complete coordination of policy and action, if the best results are to be obtained for the whole enterprise. This brings up questions of organization. Some firms and some managers insist that the credit department be placed in the sales department, so that the sales point of view, that of creating customer good-will, may dominate the actions of the credit department. The common practice is to locate the credit department outside the sales department, on the ground that because the sales department is optimistic and interested in volume of sales, it would not exercise good judgment in passing upon credits; that losses would be increased out of proportion to profits. The credit department in the usual case is, therefore, not a part of the sales department nor under its control but is frequently in an independent position or part of the financial department. As a consequence, the credit department frequently regards itself as a check on the sales department and house. That attitude is the basis for much of the friction which exists between sales and credit departments and between the salesman and credit manager. The proper attitude is one of mutual cooperation in which both work for the desired volume of profitable business, in which the sales department exercises good judgment in selling, and in which the credit department so conducts its relations with customers as to increase good-will of desirable customers and help the salesmen to increase their business.

THE CREDIT DEPARTMENT AND ITS WORK

In the wholesale or manufacturing establishment, as well as in the larger retail stores, the duty of supervising credits is usually assigned to a special official who is expected to pass upon applications for credit and to oversee the credits outstanding, to best secure the interests of the seller both in keeping down credit losses and in increasing profits

through the wise handling of credit relationships with buyers. Purchases on credit terms, whether from retailers, wholesalers, or manufacturers, are generally directly or indirectly submitted to the credit manager for approval. If all orders come into sales headquarters for acceptance, that acceptance is usually dependent upon the approval for credit as well as upon other factors; the wholesaler, for example, will not fill an order unless the credit man approves. The retail store will not permit goods to be taken or delivered unless the terms have been approved. The salesman's order will not be accepted and shipped unless the credit standing of the applicant has been approved.

The functions of the credit department therefore are to:

- ①. Pass upon applications for credit from concerns which have never before purchased from the firm; this involves collecting information of various types and various sources which will enable the credit manager to pass judgment;
- ②. Pass upon applications for additional credit or for extensions of terms from previous buyers or customers of the concern;
- ③. Inspect and determine whether action is required in connection with credits already on the books;
- ④. Supervise the collection of overdue accounts. Although in some firms there are special collection departments, the credit department is usually responsible;
- ⑤. Perform services for buyers and handle relations with buyers in such a way as to help them improve their credit standing and make them better customers;
- ⑥. Cooperate with the sales and financial departments for the benefit of the enterprise as a going business unit.

In accomplishing these objects, the credit department will find it necessary to study methods of performing its task efficiently, so that credit applications may be judged accurately and promptly. Routines may be constructed for the purpose of enabling the necessary work to be done with a minimum of effort and expense.

The three chief problems of the credit department and of the credit manager are: (1) the securing of information upon which to act intelligently in relation to credits and collections; (2) making the correct decision on the basis of facts and warranted inferences; and (3) carrying out that decision in such a way as to make friends for the house, not enemies.

Before information can be secured, the credit manager must determine what facts are pertinent; what facts are needed in order to enable him to pass intelligently upon credits. The basis for credit-granting is often conveniently summed up in the three words: Character, Capacity, and Capital. Like all most convenient summarizations, character, capacity, and capital do not include all the facts which affect credit standing or ability to pay. Changes in business conditions, disaster, crop failures, all are outside the control of the individual, but may seriously affect his power to pay.

To the grantor of credit, information as to the character of the credit applicant has a very definite value in passing upon credit applications or in making credit decisions. Straightforwardness, honesty of purpose, and willingness to meet obligations are highly desirable from the view-point of the seller who is accepting a promise to pay instead of payment for the goods or services that have been sold. Other things being equal, the credit applicant who does not gamble or drink, who has the reputation of meeting his obligations, and who possesses a good reputation with his fellow citizens, acquires a better standing with the credit manager than the man who does not have these qualifications. There is, however, difficulty in securing trustworthy information as to character, and the credit manager must rely upon various scraps of information, ordinarily, to form his opinions, or must rely upon the opinion of fellow citizens, and other firms with which he has done business.

Character and willingness to meet obligations are not sufficient to assure the credit manager that he should grant

a particular application for credit. A prospective buyer may have the best of intentions and an unimpeachable moral character, yet the purchase which he contemplates making may be one which is unwise and for which payment cannot be made when due because of the lack of ability to pay. It is here that the credit man can help the credit applicant or prospective buyer, the salesman, and the house, by wise action. The salesman should not sell to a man who cannot pay for the goods he orders when payment is due; the salesman should not knowingly sell to a prospective purchaser for whom the purchase would be unwise. The salesman should not attempt to load up a customer beyond his capacity to use the goods beneficially or to resell them profitably. The credit man may help the salesman and the prospective buyer by determining whether the purchase is wise from the point of view of the buyer's capacity and probable ability to pay.

In determining the capacity of the person or firm which desires credit, the knowledge, training and experience, and earning power of the individual or business must be taken into account. They tend to increase the probability that right business methods will be chosen, that they will be properly executed, and that the number of errors will be reduced to a minimum. The actual conduct of the business, its actual efficiency in manufacturing, its effectiveness in selling goods, judged by profits and by standards of manufacturing cost, or by standards of turnover and profit for retailers and wholesalers, must be considered. The manufacturer who is operating with out-of-date machinery, with inefficient labor, who is selling his product in a wasteful and ineffective manner, is a poorer credit risk, other things being equal, than the company which possesses up-to-date equipment, and produces and sells its product efficiently. The retailer whose place of business is ill-kept, who does not serve customers well, whose stock is ill-balanced or contains shopworn or out-of-date goods, is a relatively poor risk, such facts indicating ordinarily less busi-

ness capacity, or laziness and carelessness. The consumer who buys without judgment, who buys liberally without consideration of the fact that the goods must be paid for, is a relatively poorer risk than the careful buyer. The salesman will always find it easy to sell to those who are unable or unwilling to visualize the necessity of making payment at some future time, or to those who do not intend to pay for the goods or services. There are many indications which the experienced credit manager looks for in judging character and capacity, which cannot be mentioned here but which will be indicated in part on the forms for securing credit information on pages 574 to 579.

The possibility of paying a particular account when due or of collecting in case of refusal to pay, depends also in part upon capital and capital resources. The property of the individual is, within limits, a security for payment of a credit account, and at times an evidence of capacity of the credit applicant. In so far as the property and capital of the applicant has been acquired as the result of skill and judgment in handling his own affairs, the credit manager is warranted in giving the factor of capital greater weight than if the capital has been so recently acquired, as the result of a gift or bequest, as to give no evidence of ability to conserve or increase it. On the other hand, it must be recognized that the actual capital available as security for the payment of a particular debt may be only the remainder left after sale at prices which the property would bring at forced sale after legal exemptions and prior claims are settled. Occasionally an apparently good risk becomes involved or is discovered to be on the verge of failure. Here, again, the credit manager must consider numerous facts and factors before he can make a proper decision.

These, then, are the main points upon which the credit manager must make his decision. With full and complete information, the problem would often be easily solved by the exercise of judgment. With incomplete information and conflicting statements, the difficulty is augmented.

SOURCES OF CREDIT INFORMATION

The credit information used by the credit department in passing upon credit applications is derived from one or more of several sources:

1. The first and sometimes the only source of credit information available is the salesman in the field. The official in charge of credits cannot possibly keep in as close touch with buyers and customers as the salesman; the credit department could not afford to maintain a force of sufficient size to make as many contacts as does the salesman. Frequently the salesman is the only personal representative of the house with whom the buyer ever comes in contact, particularly if the buyer does not come to the house or to the central buying point to make purchases. Even in that case the salesman calling upon the retailer, wholesaler, or manufacturer has the definite advantage of visiting the buyer at his own place of business and of securing information by observation and inquiry which would be difficult to secure otherwise. The shrewd observer notices many indications as to whether business is prospering or the reverse.

The salesman is in an excellent position to secure valuable information as to the way the buyer conducts his business; he can frequently get definite information or clues to the existence of habits or practices which have a bearing upon credit risks. By inquiry he can determine the standing of the buyer in his community. He can judge the general characteristics of the business, whether it is well located, whether the stock is well kept, well displayed, and carefully bought; whether accounting, credits, and collections are well administered, and whether goods are efficiently sold. The salesman can further secure, directly or indirectly, the names of other firms from which the buyer has made purchases. From these the credit manager may get helpful information and expressions of opinion. If the salesman is in a position to determine the prospective buyer's wants in selling to him, he is also frequently in a

position to determine the facts which definitely bear upon the credit risk involved in selling to that prospective buyer. It is sometimes possible for the salesman to get a definite statement of an approved form concerning the financial status of the buyer, particularly in connection with the initial order.

It is significant that many of the early salesmen first appeared primarily as traveling credit representatives.¹ The jobbing houses of the East began to send out men to visit retailers, primarily to secure further information as to their credit standing, later to make collections. The need for more active sales solicitation, as western manufacturers and wholesalers grew up, led to placing greater emphasis on sales coincident with the development of other agencies which secured credit information. The great mercantile agencies, which constitute an important aid to every credit manager, developed originally from these organizations; in fact, the first great American mercantile agency was built up on the basis of information collected over a series of years by a New York jobbing house.²

Later development tended to emphasize selling to the exclusion of credits and, except in certain lines, there was almost complete divorce of selling and credits, both as to duties and control. There seems to have been some reaction, but as a whole the effects of the separation still dominate.

The salesman is regarded as an unsatisfactory source of information by many credit managers, and plausible reasons can be given why the information given to the credit department by the salesman is often incomplete and misleading.

¹ See Chapter I, p. 22; also J. E. Hagerty, *Mercantile Credit*, Henry Holt & Co., New York, 1913, p. 159.

² The R. G. Dun Company developed from a business organized by the credit man of a New York jobbing house, who carefully kept all the information he could get about buyers of that firm. When the firm failed, the information was preserved and the credit man organized a company in 1846 to sell it and to collect further information. For details see the various works upon mercantile credit.

(a) The salesman is primarily interested in selling. He is optimistic and tends to color both facts and opinions with his optimism.

(b) The salesman is interested in securing sales volume because frequently his income depends directly upon sales volume. Though his commissions may be deducted on bad debts, he may be willing to take a chance on a large order because he stands to lose, say, only 5%, while the house loses 95%. As a result of taking chances he may lose occasionally, but his gains in commissions on all risky business more than make up for the losses.

(c) The salesman is not a good observer; he does not know and does not realize the type of information which bears upon credit risk. The salesman is apt to cease observation and study of a credit risk after orders have once been accepted, although changes are constantly taking place in business which directly affect, favorably or unfavorably, the credit standing of any buyer. Frequently the salesman fails to give warnings of changes, or gives warnings too late to be of service in protecting the house.

(d) The salesman not infrequently knows his customer better than he does the sales manager or credit manager; he has more in common, is inclined to be more sympathetic and to overlook more unfavorable factors than is wise from the standpoint of the house.

On the basis of the experiences of some credit managers, these objections would seem to be well founded. But they proceed partly from failure to train salesmen properly to get the right sort of information and partly from the attitude of the credit manager in not cooperating with the salesman in getting what he can out of such information and making allowances for the tendency of some salesmen to be overoptimistic. Wholesalers and jobbers and many manufacturers require their salesmen to collect information and place a great deal of reliance upon it. The danger of getting worthless information from the salesman is less if he is also responsible for collections.

when possible, facts concerning the dealer's business and personal reputation, as well as other information. The forms shown in Figures 14a and 14b are typical.

There are other types of agencies which are specially equipped to give information upon credit risks in a single trade or narrow group of trades. Special agencies in the jewelry, furniture, and leather trades are examples of this type. The information gathered is much the same as that gathered by general agencies. Their advantage rests chiefly upon the possession of a background of intimate knowledge of the business while confining efforts to a narrow range of business firms.

3. The credit manager is inclined to place a great deal of weight upon the experience of other sellers, in sizing up a credit applicant. If the applicant has not promptly paid bills of other companies, or if he has made unwarranted claims; if he has been slow pay, such facts are significant. They may indicate either inability or unwillingness to pay or undesirable business habits, all of which are important facts in the hands of the credit manager. Furthermore, such information may be more up to date and indicate present and future risk more accurately than information which the agencies give or even that furnished by the salesman. There are several ways in which such information may be secured:

(a) By direct request from firms which have had business dealings with the applicant. Obviously, the credit manager needs to know the name of such firms, and to know that those names are not hand-picked ones which are apt to give a good recommendation while there might be many others whose experience has been unsatisfactory. The relations which a firm maintains with competitors, its willingness to reciprocate, the relations of the credit manager with other credit managers, will all have a bearing upon whether the desired information will be forthcoming. Credit managers who are members of the National Association of Credit Men usually cooperate in this respect.

RETURN THIS TO US

Springfield, Ill. _____ 192
STATION "A"

Messrs _____

Kindly give us below YOUR EXPERIENCE with

Name _____

P. O. _____

All Information will be Considered Strictly Confidential

We are Members of Nat'l
Assn. of Credit Men

Yours truly,

Sold Since _____

Terms _____

Highest Recent Credit \$ _____

Owing Now { On Open Account, \$ _____
 { On Notes - - \$ _____

Past Due { On Open Account, \$ _____
 { On Notes - - \$ _____

First Order, \$ _____

Manner of Payment:— Discount _____ Prompt _____ Slow _____

Other Information _____

Figure 15: Form for exchange of credit information.

(b) The mercantile agencies, particularly the Dun agency, maintain a system of interchange of ledger experience for the purpose of supplementing their other credit reporting service.

(c) There are numerous bureaus of credit interchange operated under the auspices of the National Association of Credit Men, for the most part, sectional in scope, which head

up in the Central Credit Interchange Bureau located at St. Louis.

The exchange of credit information with others requires usually either a filing of a customer list by the member, so that inquiries for credit information may be referred to it only when there has been experience, or the submission of all inquiries to all members with the expectation that some of them will report their experiences. Figure 15 illustrates a form used by a large wholesale grocery company. The information usually asked for includes:

- (1) Amount now owed
- (2) Amount past due
- (3) Orders on hand, with shipping and billing dates
- (4) Length of experience
- (5) Highest credit within past year or two
- (6) Payment habits. Whether discounts bills, slow pay or prompt pay, makes unjust claims, cancelations, returns, countermands, and so forth
- (7) Activity of account

Retailers in various communities have developed the idea of credit interchange extensively and with beneficial results in reducing credit losses.

4. A fourth source of information upon credits is the bank with which the credit applicant does business. For the most part such information cannot be secured by direct application to these banks, but can be secured only indirectly through the application of another bank for information from the credit applicant's bank. As a whole, while the bank possesses this information, the natural reluctance to disclose information about client business renders this source of no great value for the great majority of credit applications.

5. Local attorneys are often utilized as sources of credit information. Attorneys who specialize in collections have acquired much information of value to the credit man. They come into close contact with business men in the community and are in a position to form accurate opinions

ATTORNEYS PLEASE KEEP A RECORD OF THIS INQUIRY AND NOTIFY US IN CASE OF EMBARRASSMENT

STRICTLY CONFIDENTIAL

Springfield, Ill. _____ 19____

Dear Sir: Will you advise us **Confidentially** regarding the financial standing, general repute for integrity and promptness of

Town _____ State _____

Business _____

Answers to the following questions are requested.

Very truly yours,

ANSWER

Individual names (if a firm)? Married or single? Age approximately? _____

Reputation, good, fair or bad for ability? _____ Honesty? _____

Any vices, such as drinking or gambling to excess? _____

Reputation as to paying bills? _____ Been sued? _____

Compromised or asked extension? _____ Ever failed? _____

Do you know of any unsatisfied obligations, chattel mortgages, judgments, or claims in hand of attorneys? _____

How long in business? _____ Business seem prosperous? _____

Is strict personal attention given to business? _____

Value of stock on hand (estimated)? \$ _____

Engaged in other business? _____

Own real estate in own name, above homestead and encumbrance? _____

Own other personalty? _____ Value \$ _____

Supposed total net worth \$ _____

Figure 16: Form used to secure credit information from attorneys.

as to the credit standing of the applicant in his community. A form which has proved successful in securing the needed information is illustrated in Figure 16 , on page 579.

Since the facts which bear upon credit risks are so numerous and varied, there are many other sources which are not mentioned here. Occasionally, for example, a house maintains traveling credit men whose business it is to collect information, but generally the sources mentioned above furnish the bulk of the information with which the credit manager has to work. He must use his "credit sense" to interpret the information, often so meager and ambiguous.

CREDIT TERMS

The fundamental basis for credit terms is chiefly the necessity of selling goods to consumers, retailers, or others before they are in position to pay for them. Since, for instance, in the retail jewelry trade the turnover of stock is much slower than in the retail grocery trade, the credit terms required by retail jewelers are considerably longer. The terms which may be quoted will depend (1) upon the needs of customers for credit accommodations, (2) upon the needs of the individual seller for prompt payment for goods sold in order to finance his business, and (3) upon pressure of competition, because competition may be combined with competition in price. These terms will vary, of course, between different times, as between periods of good business when terms may be tightened up, and periods of slack business when consumers are humored in order to induce purchasers to buy.

From the view-point of the salesman, the credit policy of his house may be either the one which is characteristic of the industry as a whole, or a more lenient or more stringent policy. His house may be justified, by virtue of its financial position, in limiting its sales to those who are accustomed to more stringent terms. The salesman must realize that granting of credit ties up capital during credit periods,

unless it is made mobile by having it converted into negotiable forms.

Likewise a company which has no direct competition because of the type of, or special merits of, its product, or a company which has been dominating its trade, may require more rigid terms than a company which has neither an outstanding product or dominating position. The usual policy is that of following the general competitive practice. In such a case, the house merely conforms to practices of trade, and the salesman is not handicapped in the credit policy. If the terms are more lenient or liberal than those of competitors, the salesman may have a good selling point.

In all cases, however, the difficulties come, not so much with the general credit policy of his company, unless much different than general credit policy of the trade, but in handling requests for exceptions to this policy. One customer wants unusual datings, and declares that he will do no business unless they are granted. Another customer wants special discounts, which amount to price-cuttings, but, for purposes of argument, calls them credit terms rather than selling terms. The salesman must be prepared to make his argument by an understanding of the house policy and an understanding of the implications of such exceptions.

THE SALESMAN'S WORK IN RELATION TO CREDITS

The salesman's duties in relation to credits begin even before the sale is made in the process of selecting prospects to whom the sales efforts are to be directed. The salesman can help himself, the credit department, and the business by exercising care in selling only to those from whom he can expect payment and those whom he has reason to believe will pass the inspection of the credit department. The amount of discretion which the salesman must exercise in this respect will depend in part upon the extent to which he is given specific directions to sell to certain prospects by his house, and to the extent he is told to leave the matter

of credit selection up to the house. Even though an order which the salesman has taken is rejected by the credit department, there is a loss involved if the unsuitability of the risk could have been easily determined in advance; for the cost of the salesman's call will in many cases be considerably greater than the cost of securing information in advance of call. In this respect, the credit department can frequently cooperate with the sales department in steering the salesman clear of prospects which are known to be unsuitable from a credit view-point.

In the second place, the duties of the salesman, with relation to credits, will require that he furnish information to the house in connection with orders from new buyers or customers. Many houses furnish their salesmen with blanks to fill out so that the most needed information will be secured. The salesman will be asked to secure a financial statement if possible and to furnish certain other information of value in sizing up the credit risk. Usually, also, the salesman is asked to give his opinion as to the character of the risk; many salesmen become expert in judging risks. The information requested may be brief or detailed; the

INFORMATION FOR CREDIT DÉPARTMENT			
Send in attached to first order and if possible for every Likely Prospect.			
Firm Name _____		Name of Prop. _____	
Address _____			
(Street & No.)		(City & State)	(Check)
Carries General Stock About \$ _____		Carries (Mens Shoes <input type="checkbox"/>	
Carries Footwear Stock About \$ _____		Womens Shoes <input type="checkbox"/>	
		Children's Shoes <input type="checkbox"/>	
Is the Store (Check) (Modern and Uptodate <input type="checkbox"/>		Is Location (Good <input type="checkbox"/>	
Clean and Well Stocked <input type="checkbox"/>		Fair <input type="checkbox"/>	
Only Fair <input type="checkbox"/>		Poor <input type="checkbox"/>	
Local Opinion of Habits and Ability (Check) (Good <input type="checkbox"/>		Local Conditions (Check) (Good <input type="checkbox"/>	
Fair <input type="checkbox"/>		Fair <input type="checkbox"/>	
Poor <input type="checkbox"/>		Poor <input type="checkbox"/>	
Bank With _____		Insured For \$ _____	
The above in my opinion is worthy of credit up to \$ _____			
Buys From:			
1 _____			
2 _____			
3 _____			
4 _____			
Date _____		Signed _____	

Figure 17: Condensed credit report to be filled out by the salesman.

Credit Information on New Account.

Chicago, Ill. _____

Name _____

Town _____ State _____

Individual names (if a firm)

Married or Single?

Age?

Kind of Business? _____

Estimated valuation of stock? _____

How long in business? _____

Has he had former business experience? _____

Where and When? _____

Business seem prosperous? _____

Is he using borrowed money? _____

If so how much? _____

Names of creditors (Ascertain as near as possible the names of houses he buys leading lines from) _____

With whom does he do his banking? _____

Is he always at the store attending to business or does he trust it to clerks? _____

Own real estate in own name above homestead and encumbrance? _____

What is condition of store; neatly kept or otherwise? _____

Is the business largely on credit or for cash? _____

What are his habits; does he drink or gamble? _____

What is your opinion of his business ability? _____

Have you heard of any unfavorable opinions? _____

Good pay, slow or discount? _____

General Information: _____

Signed _____

Date _____

(Please make this report as soon as possible)

Figure 18: A detailed credit report to be filled out by salesman.

more complete and reliable the information to be obtained from other sources, the better it is not to ask the salesman to secure more than those facts which he can best obtain. The forms used range from those even simpler than the one in Figure 17, used by a rubber manufacturer, to more complex and comprehensive ones than Figure 18, used by a wholesale grocery firm.

The salesman should cooperate with the credit department in getting information of value and in judging risks, but, on the other hand, the credit department cannot reasonably expect that the salesman can act as a detective, that he can ask questions which will be embarrassing to both salesman and customer if pleasant relationships with the customer are to be developed. Furthermore, he will tend to neglect credit work if it involves embarrassment, with the result that the friction between the credit manager and the salesman grows and both lose by working at what seems to be cross-purposes. Sometimes the salesman can secure a financial statement from his customer without difficulty. In other cases the salesman may not be able to secure such a statement without being somewhat importunate or without being accused of meddling to such an extent as to bring about an inability to get the order. Insistence may even mean the cancelation of a completed sale. Sometimes the salesman can help the customer to improve his credit rating by assistance in various directions, such as arrangement of stock, improvement of accounting, and so on. The salesman will get his information by observing carefully the prospective customer's place of business, inquiry from sources such as banks, other traveling men, occasionally attorneys and other local people.

The information which the credit department needs and desires is not only that concerning the applicant and his business, but also facts concerning the local condition. The shut-down of the main plants in a city, a local crop failure, a depression in a particular line, may be valuable items of information in judging the credit situation in that locality.

The salesman's duties with regard to credit information are not ended when the initial order has been accepted. Since the great majority of businesses fail sooner or later, it would be most injudicious to assume that once a credit risk is good, it is always good, irrespective of future happenings. There may be changes in management, mistakes in judgment, attempts to carry on business with insufficient capital, disasters, speculation on the part of owners or proprietors, fraud, and many other factors which may seriously reduce the grade of a credit risk, or make it advisable to cease granting credit at all. Sometimes the signs of such changes are apparent long before the collapse takes place; recognition of these may make it possible either to avoid disaster for the seller and possibly for the buyer, or at least to reduce prospective losses.

The salesman often assumes that the rejection of an order on usual terms means that it is impossible to sell to the buyer. That often need not be the case. The rejection usually means simply that the house does not feel warranted in assuming the credit risk on the terms quoted. The salesman may many times build up a profitable business by inducing the buyer to pay cash in advance or to accept the goods on c.o.d. terms; when the poor credit standing is due to the fact that the buyer is temporarily financially embarrassed, or just starting in business, the pursuit of such a policy may develop an account in time into one with a first-class rating.

THE SALESMAN AND COLLECTIONS

The salesmen for wholesale houses and many other enterprises will find that the collection of accounts will constitute a part of their work. They will be asked to collect accounts from their customers as they go from place to place, and their records in the home office will very definitely depend on such collections. The record of the outstandings in a particular salesman's territory in relation to the sales for

the period will be used to judge the salesman's industry and effectiveness in inducing his customers to keep their accounts paid up. While local conditions may affect the amount of credit which must be extended to do a particular volume of business, other things being equal, the outstanding credits on the books of the company in relation to sales furnish a good index of the salesman's effectiveness in discharging that responsibility. While outstandings will show the extent to which accounts are overdue, it will not show the failure to collect or the amount of credit losses. With the data as to credit losses, and with the lists of accounts overdue and the relation to total business, the salesman can determine his own effectiveness just as can the sales manager or credit manager.

The attitude of those who approach buyers and customers should be that of first attempting by all means to retain the good-will of the customer. The failure to pay accounts when due does not necessarily indicate that desirable business may not at some time originate in that customer.

Trade practice varies in regard to the extent to which salesmen are entrusted with the duty of making collections from customers. Many wholesale grocery houses have their salesmen make collections regularly from customers. Packing-house salesmen calling on their customers every week or even more often make collections. The same practice is followed in the baking industry. In many other cases, the salesman is given for collection only those accounts which are not handled directly by the home office, or accounts where it is not the custom for the buyer to remit directly to the branch or to headquarters. The salesman, therefore, in collecting, needs to keep in mind the various causes for non-payment, in order to determine both the information which he is to forward to the credit manager and the limits of his authority within which he can act in making collections.

The salesman may be asked merely to collect accounts when the customers refuse to comply with the usual terms.

One sales manual contains the statement that "when collecting accounts, please be very careful to give the credit department your full support. Do not apologize for the letters or the action of the credit department or for your errand. The order was accepted in good faith and we have every reason to expect the customer to keep his part of the agreement in good faith." Another manual gives specific directions:

When accounts look bad or need attention, report them to the credit department.

Collections must be sent in daily with your orders.

Be sure your collection vouchers are made up correctly and in balance before you send them to us.

Always put down the dates of the invoices you collect on your collection vouchers.

We do not want checks dated ahead, but when it does happen that you take a check dated a few days ahead, write out a separate collection report for that check.

You have report blanks to send in daily on accounts that fail

	Date _____
Mr. _____	
Sales for _____	_____
Collections and Remittances for _____	
Percentage of collections to sales	_____
60-day list	_____
Outstanding	_____
Percentage of outstanding 60 days old	_____
Net amount charged to profit and loss from January 1 to	_____
Percentage of loss to sales	_____
	Credit Department

Figure 19: Report of salesman's collection record.

Dated _____
BUCKNER GROCERY COMPANY
I failed to make collection
From _____
Of _____
On account of _____

_____ Salesman

Figure 20: Salesman's report of failure to collect.

to pay you—fill them out and send in with orders your reasons for not collecting any accounts that fail to pay.¹

There is a distinct advantage in having the salesman collect accounts in so far as he can do so without interfering seriously with his itinerary, because it makes him more careful about selling to irresponsible customers. If he has to collect payment for what he sells, he will be more careful in selecting those to whom he sells. Furthermore, if he is compelled to collect for what he sells, he will take care not to oversell a customer because that will enhance the difficulty of collection. In other words, it is essential that the salesman will feel more keenly his responsibility and will sell more judiciously if he is compelled to collect, where credit applications are granted largely on the basis of information from the salesman and the salesman's recommendation. Again, the salesman will probably become more

¹ A grocery wholesaler requires his salesmen to furnish a reason for each failure to collect, and notifies each salesman of his collection record, as illustrated by the forms reproduced in Figures 19 and 20, on this page and the preceding one.

observant and attentive to changes in the credit standing of customers if he is made continuously responsible for collections. The collection of accounts by salesmen, furthermore, saves the expense of a large collection department and collection agents which might be necessary for some classes of customers with which salesmen do business. In certain sales territories, the customers may be largely of foreign extraction, many of them unable to write English or to make remittances in a satisfactory manner. Personal collection of such accounts becomes almost a necessity if overextensions of credit are not allowed to creep in. From the viewpoint of the house, it is more easily possible to control credit outstandings if salesmen are made responsible for the collections.

It must be admitted, on the other hand, that the salesman is not primarily a collection agent. He may not, frequently does not, possess the qualities which make him a good collection agent. He may be temperamentally disinclined to press a customer for payment, or he may be disinclined because he fears that the customer will resent such pressure and the difficulty of making a sale will be increased. Likewise, it is claimed that a salesman may become too conservative in his selling so that he hesitates to sell as much as would be advisable, exaggerating the difficulty of future collections. Because of this disinclination to press for collection and because of the fact that the salesman frequently knows his customer much better than he does the credit or sales manager, collections are apt to be delayed and outstandings are apt to be larger than they would be if the control of collections were located elsewhere and other individuals in the organization were made responsible. Whether or not a particular company should have its salesmen make collections will depend, first of all, upon the type of customer, and his business habits, particularly whether or not he is accustomed to sending remittances and generally to taking his discounts within the cash discount period. If the class of customers is reluctant to make remittances

within the discount period, it may be necessary to furnish some means of personal collection at regular intervals. Obviously, the salesman can furnish that personal collection in a more or less satisfactory manner and at much more regular intervals and at much less additional cost than it could be furnished by a special force of collectors. Second, the frequency of the salesman's visits will have a bearing upon the policy of the company regarding collections by salesmen. A salesman who visits his customers every week or every two weeks can make collections within the discount period, while a salesman who makes calls only every six months cannot make collections ordinarily within the discount period or within the credit period customary in his trade. Lastly, the practice of competitors will have its effect upon collection policies, for, if competitive salesmen make collections, it is probable that the trade practice will be established on the part of buyers of making payment to salesmen as they fall due.

When the salesman is compelled to make collections, he must exercise discretion and judgment. His duty is not only to collect but to retain and develop friendship for the house. In carrying on these objects, it will help him if he analyzes the underlying causes for overdue accounts, for some of which he may be responsible. The causes may be briefly grouped as follows:

1. Financial embarrassment of the debtor, due to causes over which he may or may not have had control. From the view-point of the credit manager, it is important to determine whether these causes are such as to make the embarrassment temporary, whether it is probable that within a reasonable length of time the debtor will get on his feet or whether the causes are such as to make that outcome improbable and to make the condition permanent. The two classes of cases may require radically different treatment.

2. Unwillingness to pay because of dissatisfaction or misunderstanding with regard to the transaction. This may be

due to the customer's misunderstanding of the terms of sale, the nature and quality of the goods or the services they would perform. For much of this the salesman may be responsible; he has not sold the goods properly. Collection here should follow adjustment of misunderstanding.

3. No intention of paying. The buyer may, at the time of purchase or later, decide not to pay for the goods. Actual frauds in obtaining goods under false pretenses are not uncommon.¹

4. Carelessness. The buyer may be busy with other things and have forgotten; his records may be insufficient or not kept up to date; he may have mislaid invoice records, or otherwise, without intention of holding up payment, have failed to make payment within the credit period.

5. Failure of house to remind creditor of indebtedness in accordance with usual custom. Both in retail and wholesale trade there are many who depend upon periodical statements to remind them of their obligations, placing the burden upon the sellers. The buyer may be accustomed to paying to salesmen or collectors—then failure to call may cause the buyer to neglect payment.

INSTALMENT CREDITS AND COLLECTIONS

Because of the rapid development of selling on the instalment plan and its application to increasing numbers of products, the salesman in some cases encounters all the problems of handling credits and making collections for goods sold on so-called easy-payment terms. The problems he meets will, in no small measure, depend, when an-

¹See the April 10, 1925, bulletin of the American Institute of Accountants. The R. G. Dun Company in this bulletin directs special attention to three types of credit fraud:

1. The man who has borne a good reputation and suddenly decides to defraud his creditors;
2. The man of bad reputation who assumes an alias and then seeks credit in the name of a well-known concern of established good repute;
3. The man of bad reputation who keeps his own personality completely hidden and who puts to the fore a man of good repute; the latter being, at times, the innocent dupe of the former, or sometimes knowingly lending his good name to a fraud for a consideration.

alyzed, upon how the sale has been made in the first place. If the salesman has exaggerated the satisfactions to be obtained from the buyer's purchase, there will be reluctance to meet the payments as they come due. Ill-will will be engendered. Repeat business, with decreasing sales difficulty, will not serve to bring the cost of selling in this way down to a reasonable relationship to other costs.

The instalment plan involves buying for present satisfactions on the basis of an equivalent of future surrender of income. Since commonly one underestimates the difficulty of those sacrifices of income in the future, it is not surprising that the actual collection of instalment accounts should involve many difficulties, if the product has not been properly sold or if the personal selling involved has not been that of a conservative, helpful type. While it is probable that a considerable portion of the present extension of the instalment plan is unsound, both from the view-point of sellers' interest and of the ultimate interest of consumers, it is hard to draw the line between a sound use of the plan and an unsound use.

XXII

COOPERATION, SUPERVISION, AND CONTROL OF SALESMEN

Methods of exercising supervision over salesmen. Personal supervision. Supervision, cooperation, and direction through correspondence. The salesman's reports. The salesman's letters to the house. Report systems. Judging the work of the salesmen.

THE salesman cannot and does not perform the work of the sales department single-handed. It is necessary for him to receive assistance in effecting sales and building good-will, just as it is necessary for him to cooperate with the sales manager and other executives in the effort to accomplish the purposes for which the sales department and the enterprise exist. Two reasons, therefore, may be assigned for the need for supervision and direction of the salesman in his work.¹ The first is due to the fact that the salesman operates independently, frequently away from

¹ The amount of supervision which must be provided by the management will depend upon a number of factors, the first of which is the size of the sales organization—the number of salesmen or other representatives in the field. A sales department traveling 500 men must very evidently provide more supervision than one traveling 20 men, other conditions being substantially the same. An examination of the practices of business concerns generally shows a wide variation in the number of men supervised by a single official. Instances may be cited where as many as 200 salesmen are directly supervised by one official; many more examples may be secured of companies in which 25 or more salesmen are subject to one supervisor. While we find that only a very few sales executives have undertaken a serious study to ascertain the number of salesmen which can be effectively handled by one man, such results as have been obtained point toward the conclusion that present practice will have to be modified to provide for more supervision. The variation which exists is to be attributed not so much to differences in need for supervision as to varying distribution and control, to the undeveloped state of policies of many enterprises, and to the lack of study of supervision problems.

In the second place, the amount of supervision will depend in part upon the territory in which salesmen operate. As soon as salesmen get so far away from headquarters that contact with the home office can be maintained only by correspondence and occasional visits of men from the head-

the sales manager in a specific territory. He is the representative of his house, frequently the only one with whom the customer comes into contact. Since the selling process is more and more being effected by a combination of the means of selling, the effort of the salesman is supplemented by advertising, by special equipment furnished him, by the development of the good-will fostered in previous personal and other selling effort. The salesman, therefore, benefits by these other efforts and benefits in proportion to the extent to which his own efforts are correlated with them. Second, the salesman cannot and does not know the exact work which he should do in order to serve best himself and his house. Conditions change rapidly. There are changes in prices. Certain lines may be sold out; new lines may be added; inquiries may come which mean customers and added sales for the salesman. New methods may be discovered for making the salesman's work more effective. The supervision and direction by the sales executive, therefore, will be of direct benefit to the salesman, entirely aside from the fact that the sales manager, in the performance of his task as a whole, must know what the various members of the organization are doing, if he is to make their work and the work of the whole organization most efficient. The salesman should, therefore, regard his

quarters staff, there is danger that they will not perform so satisfactorily as in territories closer to sales headquarters. Special features of the salesman's work may increase the need of supervision in order to overcome certain weaknesses of the average salesman. Closer supervision is necessary where salesmen are expected to cover territory thoroughly than where they are expected to visit only certain customers in larger market centers. Likewise, the special work which a salesman may be expected to do in the creation of good-will, in aiding dealers to resell goods, may call for a greater amount of supervision than that needed for the salesman who is expected simply to obtain orders with no responsibility for establishing a basis of good-will in making future sales. It is evident also that the extent to which such special duties are required will depend upon the type of product, upon the class of buyers, and other factors.

Lastly, the characteristics of the salesmen employed will affect the amount of supervision necessary. A company employing many salesmen of average ability may find supervision more necessary in proportion to numbers than another company in a different line employing highly trained and high-grade salesmen. The importance of this difference may, however, be easily exaggerated.

superior officers as appointed not primarily for the purpose of checking up the performance of the salesman, but for the purpose of studying the salesman's work in order to help him toward a more satisfactory performance. More satisfactory performance is of mutual benefit. It is true that many sales managers have not grasped the point of view that their function is not so much to give orders in the management of the sales force, as to help the men under them to accomplish their portion of the work which is to be done by the sales organization. The salesman who, when promoted to sales managership, feels his power so keenly that he takes delight in giving orders, is the sales manager who is operating under the greatest difficulties in winning the respect, loyalty, and cooperation of his sales force.

In the third place, the salesman is not different from other men in his lack of willingness to drive himself to work to his best advantage. The direction of a superior officer is generally a great benefit, even if it only results in the salesman's working more regularly in accomplishing his selling task. While practically all the other members of a business enterprise work under the direct supervision of their superiors, salesmen can only be supervised in the most indirect fashion, at best.

The traveling salesman must ordinarily operate away from home or district offices a large part of the time. He has, therefore, a much smaller amount of contact with other parts of the sales organization than employees with corresponding responsibilities in the production organization have with production officials. Furthermore, the nature of the salesman's work—meeting new buyers, continually meeting persons who rightly or wrongly feel that their interests are contrary to his own, the frequent lack of tangible results for considerable periods of time, the dependence of the salesman's work upon factors beyond his control, the many new problems which arise because of changes of conditions, the difficulty of meeting new or hard prospects—furnishes argu-

ments for support, assistance, and supervision by superiors. The character of the salesman, the fact that he will usually be most successful when optimistic, the many reasons for discouragement in selling, the tendency of salesmen to get into a rut when a fair amount of custom has been established, further emphasize the need for some means of stimulation so that the salesman may do himself justice. The need for effective agencies for stimulation of salesmen is never more keenly felt than during a period of depression when the continuance of manufacturing operations may depend largely upon extraordinary exertions of salesmen.

METHODS OF EXERCISING SUPERVISION OVER SALESMEN

The chief and most effective method of directing the work of salesmen is that of personal supervision and contact by the sales executive. A sales manager who can talk with and advise and daily help his salesmen can work with them and for them much more successfully than the sales manager who sees the salesmen only once a week or once a month. Likewise, the sales manager who devotes his effort to the supervision of half a dozen salesmen can be much more successful in such direction, other things being equal, than the sales manager who must spread his time and interest over 40 salesmen. As the sales organization grows larger and as the duties of the sales manager become more complex, the difficulty of exercising adequate supervision through personal contact multiplies. As the organization grows larger, the sales manager is compelled to resort to other aids in order to direct his sales force. Correspondence and reports may or may not be combined with the appointment of subordinate officials who are to come in direct contact with the salesmen.

Whatever the combination of methods which may be used, the system should possess certain characteristics if it is to be satisfactory from the point of view of the salesmen and of the house.

(1) It should give some personal contact with a sales executive who can help and inspire the salesmen. (2) It should not require an excessive amount of clerical work in the making of reports and correspondence on the part of the salesmen. (3) It should give to the sales manager the information which he really needs for direction and which he will actually use for the better accomplishment of purposes of personal selling. (4) Lastly, in the interpretation of information secured about the salesmen's work, and in the general process of supervision, the sales manager should be fair and just in favorably or unfavorably criticizing the work of the salesmen, with the end always in view of helping each salesman to develop himself and his work to a point which more nearly represents his capacity for accomplishment.

PERSONAL SUPERVISION

Personal supervision of the salesmen in wholesale selling may be the duty of the sales manager himself, of the branch manager, or of special supervisory officials. In the largest companies, the supervision of salesmen in hiring and firing is in the hands of an organization headed by the sales personnel manager.¹ Generally, however, the branch manager in large organizations is given supervisory powers as well as powers to hire and discharge the salesmen. In smaller branches, the branch manager exercises the supervision personally. In larger branches, it may be necessary to give over part of the supervisory work to assistants.

Personal supervision in some of the more progressive organizations is being furnished by so-called field supervisors or sales directors, men whose function is to spend time with each salesman in a particular district in an endeavor to help the salesman and to furnish a point of contact between the house and the salesman in the field, who may only infrequently be able to visit headquarters.

¹ See page 367.

Such a method of supervision can only be recommended if it reduces the cost of doing business of the individual firm and thus helps lower the expenses of distribution. There is good reason why such a result should be attained, however. Through improved control, expenses and waste can be reduced. More direct control means better training, greater sales production, more pay, and hence, less turnover in the sales force. The relation between the house and the salesman is made more real or concrete with the presence of a field director, with the result that it will be easier for the salesman to carry out the directions and wishes of those at headquarters. Furthermore, these field positions offer the salesman an opportunity for promotion, and the house an opportunity to test out men who seem to have the makings of more important sales executives.

The endeavor to give personal supervision to each salesman and make it possible for each salesman to have at hand an official with whom he may talk over his problems, results in a very large organization for a company which is attempting to sell to retailers or to numerous consumers. For instance, one of the tire companies with several hundred salesmen has 40 supervisors, so that in no case is one responsible for more than 15 men. In some cases of sparsely populated territories, one supervisor is responsible for only 5 salesmen. The Fuller Brush Company has several hundred such supervisors, who in turn are directed by the district managers. Again, from the view-point of the individual, the result is that help and direction are constantly available. Under the old hit-or-miss plan, the salesman was left to his own devices, with the result that his performance was on the average considerably less satisfactory than it is today with the help and assistance of these field supervisors. Unless the salesman can perform more efficiently with such supervision, however, such supervision is not warranted.

If the salesman planned his time to best advantage, if the salesman knew and practiced the best methods of per-

sonal selling, there would be no such need for supervision and no such need for inspirational contact with superiors. But every salesman will himself admit that it is difficult, away from influences which tend to make a man stay at work, to keep doing all the things that should be done in the way that they should be done. Most men work only under some sort of pressure—self-imposed pressure possibly, based upon the fact that others are working at the same time; the pressure of immediate supervision; or the pressure of necessity, imposed by particular conditions over which the salesman has no control. But rare is the man who can and does work to his capacity consistently and intelligently.¹ Therefore, the salesman under competent supervision is far more apt to produce and to benefit himself than the salesman left to his own devices. It is true that all of us relish independence, but the more lasting satisfaction comes only from accomplishment. If that accomplishment can ordinarily be assured only by competent direction, it should be welcomed and not discouraged. There are many salesmen who object to any sort of control. They exhibit many of the traits of the temperamental prima donna. The sales managers are more and more avoiding the temperamental salesman, even if he is able to make sales, because they realize the importance of a smooth working organization which accomplishes the total work of the company, and the difficulty of getting accomplishment from all members of a sales force when the temperamental member or members of that force are allowed to have their own way.

SUPERVISION, COOPERATION, AND DIRECTION THROUGH CORRESPONDENCE

Next to personal contact, supervision of salesmen through correspondence is the most common means of giving information to and securing information from the salesman.

¹ In this connection read Philip Cabot, "Competition Is the Life of Trade," *Harvard Business Review*, Vol. III, p. 385.

Most sales organizations provide definitely for correspondence as a part of the supervisory plan. Some sales managers believe that the daily letter to the salesman, both for purposes of information and for purposes of stimulus, is an essential of good sales personnel control. The letter is very useful. There can be no doubt about that. As a means of furnishing information concerning changes in the market or in the product, as a means of giving advice and information on newer and better methods of selling, it can be made effective and useful. Likewise, provided the letter is the extension of the personality of the sales manager, it may be used to stimulate the salesman successfully, though the dangers of such letters are significant, as pointed out in a later discussion.¹

There are two types of letters, which are to be distinguished. First, there are the letters of information and stimulation sent to all salesmen, a means whereby the sales manager speaks to the entire sales force. Second, there are the individual letters of the sales executive or others to the individual salesman in connection with particular points which may have come up regarding the interpretation of reports which the salesman has sent in. The latter type of letter is, of course, adapted to the characteristics of each salesman, and through it, it is possible for the sales manager to exercise influence, depending upon the respect and confidence which the salesman has in the sales manager and upon the appropriateness of the letter and its contents. A letter of encouragement and praise at the proper time from the sales manager may be a very great stimulus and encouragement for the salesman to continue work on a new plane of efficiency. A letter of censure arriving at the wrong time may so discourage a salesman as to destroy his usefulness. A letter of high praise to one type of salesman may make him conceited and so destroy his usefulness. A letter of censure at a proper time may wake up the salesman so that he exercises his dormant capacities and is benefited tre-

¹ See Chapter XXIII.

mendously by it. Correspondence, therefore, can be used as an effective supplement to other types of contact and direction.

The principles governing the tone and construction of letters to salesmen are not essentially different from the principles which govern the personal contacts of the sales manager with the salesmen. In personal contact, the sales manager who is able to lead his men successfully and to obtain their cooperation, acts according to his knowledge of the way in which a particular man will react to reason, suggestion, praise, or censure. The sales manager must, therefore, be very careful both to judge his man in writing to him, and to anticipate, if possible, the conditions which will characterize and affect the salesman's attitude at the time when the letter is received. The sales manager who possesses qualities of leadership will not further discourage a man when he needs encouragement; and yet many sales managers do this in the careless way in which they handle correspondence with their salesmen. Furthermore, the constant cry of many sales managers in their letters for further effort for more sales is much less effective after a time than the realization by the salesmen that the sales manager expects certain performance from them, and is working with them to accomplish it.

THE SALESMAN'S REPORTS

The third means whereby the house and the sales manager keep in touch with the salesman is that of reports which the salesman is expected to prepare at regular or irregular intervals. These reports may be daily, weekly, or even monthly. There are some salesmen who make no reports whatsoever except a verbal report at the end of each trip. There are other salesmen who come into so frequent personal contact with sales managers that no written reports are required. Sales managers give various reasons for requiring written reports from salesmen. Some sales man-

agers claim that the only reports which are of interest to them are orders. On the other side of the fence are those sales managers who require very elaborate reports which take up a great deal of the salesman's time. Between the two, a majority of sales managers are attempting to get the essential information from salesmen by some simple system of reports. The conditions which will determine the use of written reports are: (1) the extent to which the salesman is away from the sales headquarters, the length of his trip, and the distance of his territory from the sales headquarters; (2) the importance of having information in making decisions in the sales department; (3) the personal preferences and ideas of the sales manager and the number of salesmen with whom he has to deal or whom he has to supervise personally.

Several principles should govern the adoption of a system of reports from salesmen. First, the reports should require a minimum of clerical labor on the part of the salesman. The salesman's energy and effort should be expended in successful personal selling and not in reporting the results of that selling, or collecting other information which may be of more or less value to the sales department. It is more important for the salesman to be in prime condition to increase the time spent with customers, and to make that time more effective, than it is for him to make detailed reports on every conceivable subject for the benefit of some sales manager who may be a worshiper of system. The principle that requires a minimum of clerical labor on the part of the salesman will influence the information which should be required from the salesman in his reports and the form in which the information is secured. It is entirely possible for the house to secure much information concerning the market from sources other than the salesman himself. The salesman can best keep the information as to the market up-to-date, but it may be an impossible and unwise use of his time to ask him to get the bulk of such information in the first place. Any information which can be

gained from library sources by intelligent clerical workers in the home office should not be required of salesmen or in salesmen's reports.

Second, no information should be asked for which is not useful. Reports, to be satisfactory, must call for information which is useful to the house in the direction of the work of the salesman, and must be used if the reports are to be taken seriously by the salesman. The statement may well be made that there are thousands of firms which have adequate report systems for salesmen, but which do not use these reports for the purpose of directing the activities of the salesmen. There may be some moral effect on the salesman who has to fill out his report, but, as a whole, unless reports are read and conclusions drawn, it seems folly to require them. It would be much better to have fewer reports or reports at less frequent intervals and to study these reports, than to have many more reports and very elaborate reports which are rarely used.

To put the requirements of a good system of control in other words, it should give adequate information which should be as simple as possible and which should require a minimum of effort on the part of the salesman. Among the specific reports which a salesman may have to make out for the house are:

1. Reports of calls and sales
2. Expense reports
3. Customer reports
4. Town reports
5. Reports regarding demonstrations
6. Reports regarding advertising material, window display
7. Reports relating to installations
8. Reports relating to credit and collections
9. Reports relating to complaints and adjustments

Very few companies use all of these types of reports, but the salesman will find many of them used whether in this form, or variations, by companies with which he may be connected.

to compute the expense per call and per dollar of sales, since this tends to make the salesman more conscious of his responsibility to the house in keeping sales costs down to the lowest possible figure.

The types of information asked for in the daily reports vary, as illustrated in forms 21a to 24b.

Route lists are required ordinarily every week; their necessity is clear. The form shown in Figure 28 is a route list furnished to the salesman by a rubber company which has very carefully analyzed its territory. Figure 29 illustrates a route list used by a wholesale grocery company.

Expense accounts. The expense account is perhaps the most common report required of the salesman, although it may be dispensed with under certain conditions: first, if the salesman pays his own expenses; second, if the salesman is given a flat expense allowance and is not required to give his detailed expenditures. But most commonly the salesman is required to make out expense accounts for the purpose of enabling the house to know how and where its funds are being spent by the salesman.

The expense account of the salesman is in many cases as

OTHER CALLS IN ORDER OF DESIRABILITY AS CUSTOMERS				
NAME	CARRIES	KIND OF STORE	INTERESTED IN	WHEN

IS CUSTOMER ON REVERSE SIDE SATISFIED WITH TREATMENT FROM HOUSE _____

REMARKS

Figure 21b: Reverse side of Figure 21a.

KEY TO BE USED IN REPORTING KIND OF STORE CALLED ON.

- C—Grocery
- D—Drug
- DEPT.—Dept.
- J—Jobber

Name.....No.....Division.....Day.....Date.....My Address.....

On the..... will be.....

Left Home or Hotel.....

First Call (Arrived).....

Last Call (Left).....

Arrived Home or Hotel.....

THE BUSHEE COMPANY DETROIT, MICH. DAILY SALES REPORT

THIS REPORT must be filled out and mailed EACH DAY at the close of the day's work.

Kind of Store	Names of Dealers Sole and Calls	Town or City when possible give Street Address	Jobbers Name	SOLD TODAY					Advertising Priced T-497
				SOAP FLAKES	COMPLEXION SOAP	WASHING POWDER	DYE SOAP	TOILET SOAP	
				100 50 100 100 100 100 100 100					

Let Towns in the order in which they are to be worked and date.

Will work in..... On.....

State here other advertising used.

Show cards distributed.

SOAP FLAKES.....

COMPLEXION SOAP.....

WASHING POWDER.....

DYE SOAP.....

TOILET SOAP.....

If you are kind to-day, state out and reasons for lifting.

Cost.....

Reason.....

Above information must cover all days. For additional space use back of report.

Figure 22: Salesman's daily report of calls and sales.

important in its significance to the house as the salesman's salary itself. Where the salesman travels over considerable territory, away from his headquarters, the expense of travel mounts up to figures that represent a large item in the cost of selling for the individual enterprise and in the cost of distribution for the public as a whole. As a consequence,

REPORT OF TODAY'S BUSINESS AND EXPENSE
(To be mailed promptly every working day whether or not sales are made)

DAY Wednesday DATE 2/27/24

SALESMAN _____ *A Bbl. is equivalent to two boxes

Town	No. Calls	No. Sold	New a/c's	Doz. at 80	Doz. at 1.20	Doz. at	Doz. at	Doz. Other Goods	Cans	* Boxes	Doz. Dis-cut	Speci-al-ization	Super Wa'r. Can	Select Cans	Total
<u>Bedford</u>				<u>5</u>	<u>8</u>						<u>9</u>	<u>5</u>		<u>10</u>	<u>\$44.00</u>
<u>Halden</u>				<u>2</u>	<u>10</u>			<u>3</u>			<u>5</u>	<u>6</u>			<u>32.00</u>
<u>Sales of Reader</u>															
<u>Woods Biscuits</u>															
<u>Bedford</u>												<u>5</u>			<u>10.00</u>
<u>Halden</u>															
Average Price				X	X	X	X	X	X	X	X	X	X	X	X
Sales (estimated)				<u>\$0.60</u>	<u>\$1.20</u>			<u>\$0.90</u>			<u>\$1.00</u>	<u>\$3.00</u>		<u>\$1.20</u>	<u>\$87.00</u>

EXPENSE INCURRED IN SECURING ABOVE BUSINESS, BY TOWNS.

Town	Mema. War Tax	No. of Miles	Car Fare or R. R. Fare, Including Mileage	Hotel				Gas, Oil, Tires, Garage Expenses	Team or Automobile Drives	Sundries		Total
				Break-fast	Din-ner	Sup-per	Lodg-ing			Item	Amount	
<u>Bedford</u>		<u>8</u>	<u>\$0.32</u>		<u>\$1.25</u>							<u>\$1.57</u>
<u>Halden</u>		<u>30</u>	<u>1.20</u>			<u>\$2.00</u>	<u>\$1.00</u>					<u>7.20</u>

Figure 24a: Salesman's daily sales and expense report.

THE NATIONAL MUTUAL LIFE INSURANCE COMPANY																		
of St. Louis, Mo.																		
SALES SUMMARY																		
Week Ending Saturday, _____ 192__																		
Agency _____				Salesman _____														
DAY	ONLY NAMES OR INITIALS OF PROSPECTS INTERVIEWED AND OCCUPATION	PROSPECT NUMBER IF SERVICE LEAD	If R. G. Check Lapse/No. Renewal Straight Contract Policyholder	Applied in Interview by	APPLICATION COMPLETED		ONLY NAMES OR INITIALS OF PROSPECTS INTERVIEWED AND OCCUPATION	PROSPECT NUMBER IF SERVICE LEAD	If R. G. Check Lapse/No. Renewal Straight Contract Policyholder	Applied in Interview by	APPLICATION COMPLETED							
					AMOUNT	Ending Month					AMOUNT	Ending Month						
Monday	Mon	1					6											
	Call	2					7											
	Mon	3					8											
	Interview	4					9											
	Interview	5					10											
Tuesday	Mon	1					6											
	Call	2					7											
	Mon	3					8											
	Interview	4					9											
	Interview	5					10											
Wednesday	Mon	1					6											
	Call	2					7											
	Mon	3					8											
	Interview	4					9											
	Interview	5					10											
Thursday	Mon	1					6											
	Call	2					7											
	Mon	3					8											
	Interview	4					9											
	Interview	5					10											
Friday	Mon	1					6											
	Call	2					7											
	Mon	3					8											
	Interview	4					9											
	Interview	5					10											
Saturday	Mon	1					6											
	Call	2					7											
	Mon	3					8											
	Interview	4					9											
	Interview	5					10											
TOTAL	WRL	CALLS	INT.															
REPORT COMPLETED AND SENT TO THE OFFICE				DATE RECORDED AT THE OFFICE _____				WEEKLY QUOTA _____										
Date _____				EXAMINED BY AGENCY BY _____				1 _____										
FOR OFFICE USE	PHONE	CALLS	INTER- VIEWS	APPLICATIONS No.	AMOUNT	SENDING RECEIPT	AMOUNT	SERVICE INTERVIEW NUMBERS	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Figure 25: Weekly summary of salesman's interviews and sales.

best work, he must be allowed a liberal expense account and must not be checked up for small items. Other sales managers feel that the only practical method is to limit carefully the salesman's items to be included in the expense account and to check carefully to see that there is no inclusion of unwarranted items or that the salesman has not

SALES CALLS																
Signed _____			Week Ending _____ 19__													
	NAME	TOWN and STATE	PAIRS SOLD										Net Value	Exp.		
			IMMEDIATE					FUTURE								
			B	P	L	A	G	S	B	P	L	A	G	S		
MON.																
TUES.																
SAT.																
	Number New Accounts Opened This Week	TOTAL														

Important Fill in all sales calls each night.
 Mail every night credit form for new customers or likely prospects.
 Mail every night Advertising form for new customers.

Figure 26: Salesman's weekly report of calls and sales.

added his account. There is usually no difference of opinion as to the inclusion of hotel and traveling expense, but there are differences of opinion as to the inclusion of the item of entertainment. Many companies now refuse absolutely to allow the salesman to have any item of entertainment to customers. Others, following an older practice, make a liberal allowance for this item. The entertainment item, so far as it impinges upon commercial bribery, should not be allowed, but it is conceivable that the salesman, in the desire to secure an interview or to save himself and his buyer, may take the buyer to lunch without any intention of bribery and with ultimate economy of time and effort. The line is difficult to draw. But since it is difficult to distinguish, the danger lies in not being too strict but in being too liberal, and it would seem wise, therefore, to

Confidential to Branch
Proprietors in District

Branch No. _____

Route List Ter. No. _____

Route No. _____

Sunday		Monday		Tuesday		Wednesday		Thursday		Friday		Saturday	
Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years	Mail Years
1													
2													
3													
4													
5													
6													
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99													
100													

Branches will notify District Sales Manager at 12:00
M. for 1914 from to date.

Name of Dealer or Prospect

Route to be taken
approved of District Sales Manager.

Under the date of the week, enter towns in the order in which they are visited. Put ticks on lines numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100. Where there are two districts in a town, enter each town. Where you have two or more prospects, enter number of the one next likely, marking it with asterisk (*) after name, signifying prospect.

Figure 28: Salesman's weekly report and route list.

ROUTE SHEET

MAIL YOUR ROUTE SHEET **EVERY SATURDAY**

	DATE	ENTER ALL TOWNS YOU INTEND TO VISIT FOR NEXT TEN DAYS	MAIL AND TELEGRAPH POINTS	
			TOWN	STATE
MON.			SUNDAY'S MAIL TO	
			CARE OF	
			SUNDAY'S TEL. POINT	LEAVE A. M. P. M.
TUE.			CARE OF	
			TUESDAY'S MAIL TO	
			TUESDAY'S TEL. POINT	LEAVE A. M. P. M.
WED.			CARE OF	
			WEDNESDAY'S MAIL TO	
			WEDNESDAY'S TEL. POINT	LEAVE A. M. P. M.
THUR.			CARE OF	
			THURSDAY'S MAIL TO	
			THURSDAY'S TEL. POINT	LEAVE A. M. P. M.
FRI.			CARE OF	
			FRIDAY'S MAIL TO	
			FRIDAY'S TEL. POINT	LEAVE A. M. P. M.
SAT.			CARE OF	
			SATURDAY'S MAIL TO	
			SATURDAY'S TEL. POINT	LEAVE A. M. P. M.
MON.			SUNDAY'S MAIL TO	
			CARE OF	
			SUNDAY'S TEL. POINT	LEAVE A. M. P. M.
TUE.			CARE OF	
			TUESDAY'S MAIL TO	
			TUESDAY'S TEL. POINT	LEAVE A. M. P. M.
WED.			CARE OF	
			WEDNESDAY'S MAIL TO	
			WEDNESDAY'S TEL. POINT	LEAVE A. M. P. M.
			-----SALESMAN	

Figure 29: Salesman's route sheet.

FRIDAY _____ 19____ My expense for the day follows:		REPORT FOR THE DAY	
Breakfast at _____		Left _____	at _____
Lunch at _____		Arrived _____	at _____
Dinner at _____		Left _____	at _____
Bed at _____		Arrived _____	at _____
Auto charge } _____		Left _____	at _____
Livery charge } _____		Arrived _____	at _____
Fare from _____ to _____		Livery expenses _____	at _____
Fare from _____ to _____		Drove from _____	
Fare from _____ to _____		to _____	stopping at _____
Omnibus _____		with driver _____	
Telegram _____		without driver _____	
Telephone _____		Total Charges were \$ _____	
Total day's expense _____		Livery expenses shared by _____	
R. R. Coupons	Detached	_____	Agt.
	From _____ to _____		
	From _____ to _____		
	From _____ to _____		
	From _____ to _____		

Figure 30: Specimen page from an expense booklet.

attempt in every way possible to keep cost within reasonable limits. The difficulty of avoiding friction with the salesman in checking up expense accounts leads to slackness in calling discrepancies to the salesman's attention.

In the garment and clothing trades the common custom of paying the workers a commission from which the salesman pays his own expenses avoids the necessity of expense accounts and reports. The flat expense allowance based upon a study of average expenses is also being used by some companies. The plan, accordingly, is to have the salesman given a definite weekly allowance representing the careful average of expenses in that territory. If his expenses are more, the salesman must pay the difference; if less, the salesman gets the difference. It is, of course, difficult to apply this plan except on the basis of considerable experience and careful study of conditions in each sales territory.

Route Covered		Salesman	Sheet No.							Week Ending				
FROM	TO or AT	ITEMS	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	TOTAL				
	Sun.	Railroad fare												
		" "												
		" "												
		Excess baggage												
	Mon.	Pullman												
		Drayage												
		Taxi or bus												
		Hotel room												
		Breakfast												
	Tues.	Dinner												
		Supper												
		Meals—extra												
	Wed.	Portage												
		Telegrams												
		Telephone												
		Cigars												
	Thurs.	Laundry—pressing												
		Tires												
		Oil												
		Storage												
	Fri.	Repair												
		Gas												
		Incidentals												
	Sat.	Totals												
			Cash from previous week							\$	Expenses for week			\$
			Received from home office							\$	On hand close of week			\$
			"	"	"	"	"	"	"	"	Total			\$
			Total							\$	Total			\$

Remarks: Customers' entertained, Auto mileage, and so forth

Figure 31: Expense account form of the Williams Shoe Company.

In addition to the expense accounts for traveling expenses which are illustrated elsewhere, the advent of the automobile has brought additional problems in the control of expenses of salesmen. If the salesman owns his own car, he may be given a mileage allowance, in which case it becomes necessary for the house either to take the word of the salesman as to the mileage covered or to have him give in detail his record, which will furnish the basis for checking up mileage. The flat monthly allowance does away with the necessity for checking, but it is very difficult to ascertain a monthly allowance which will be satisfactory in different territories. A common plan is that of making allowance for actual expense, in which the itemization of expense in gasoline, oil, tires, repairs, and the like, is much similar to the itemization of other expenses required of the salesman.

Reports upon customers, prospects, and towns. The salesmen of some companies are required to prepare reports upon prospective customers, upon actual customers, and upon towns visited. The reports upon prospective customers are used as an aid to the sales and advertising departments in determining the type of assistance those departments can render to the salesman in order to convert the prospect into an actual buyer. They are also used to determine whether the salesman is spending sufficient time upon prospects or whether he is confining his efforts to customers with whom

TOWN _____			POPULATION _____			STATE _____		
NAME _____						SALESMAN _____		
Card Received _____						Agency Established _____		
Buyer's Name _____								
Exclusive Shoes			MEN'S:			LINES CARRIED		
Haberdashery								
Clothing			WOMEN'S:					
Dept. Store								
Class			CHILDREN'S:					
High	Medium	Cheap						

Figure 32: Report on prospective customer.

previously he or his predecessors have established contacts. Every company needs to do a certain amount of selling to new firms and prospects if it is to provide for the unavoidable changes in customer lists. Some customers cease buying, while their places are not automatically taken by new customers.

Reports upon customers are intended to keep the sales department informed so that in its correspondence, as well as that of the other departments, with the customer, there may be as complete an understanding of his needs as possible. The sales department or the credit department, which in its relations with the customer shows that it appreciates the needs of that customer, will assist the salesman greatly in developing greater and more satisfactory sales. Sometimes the reports required are confined to the initial order; but such information needs to be kept up to date, and it is frequently the duty of the salesman to make out additional reports and to check up information already in the hands of the sales department.

In the analysis of sales and markets, it is frequently

The prospect whose name appears below has been given us by you. We have recorded same and a check will be kept on this name until you ask us to remove same from our list, or until the prospect is sold.

Name.....	Town.....	State.....
Date Called	.....1922 .....	.....1923
Date Sold.....	.....1924 .....	.....1925
Amt. Sold.....	.....1926 .....	.....1927

This card must be returned each season with date filled in when call was made. When sold fill in space at left.

Salesman.....

Figure 33: Prospective customer card.

Salesman	Place
	Name
Date	Business
	Street
	See
	Number of Employees
	Using our class of tools, and if so, what?
	(See opposite side for general remarks)

Figure 34: Salesman's call card.

convenient for the sales manager and the salesman to have information as to the sales in a town. It is obvious that the compilation of sales to individual buyers will yield totals classified by localities, if desired. But the compilation by the salesman may furnish him as well as his superiors a better picture of the sale situation than if the matter is left for the sales department to compile. Types of these reports are illustrated in Figures 32, 33, 34, and 35.

Reports upon advertising and dealer help. The salesman's reports upon advertising deal generally with requests or suggestions for help, the revision of mailing lists, the use of dealer helps such as window displays, requisitions for dealer helps for particular buyers. The need of information and the possibilities of use for the benefit of the salesman and the house need no comment. The information requested should be only that which is absolutely needed.

REPORTS UPON ADJUSTMENTS AND CLAIMS

Although the policy of many firms is not to allow salesmen to make adjustments or allow claims, those who do

TOWN REPORT											
Name of Town						State			Terri. No.		
Population				Gro.		Drug		Misc.			
No. Calls Made			B. O.			No. Sold					
Water			Hard			Soft					
Started		SOAP FLAKES		COMPLEXION SOAP		WASHING POWDER		DYE SOAP		TOILET SOAP	
Finished		100	50	100	50	100		Gross	Dot.	115	120
Jobbing Sales											
Retail Sales											
Retail Stocked and Sold											
Intro. Orders											
Remarks											
Noted						Salesman					

Figure 35: Salesman's town report.

allow this practice need full information in order to make proper adjustments in the books of accounts and in order to determine whether the causes for the complaint are such as can be avoided in the future. The particular reports used by sales departments vary with the nature of the product and the type of complaints, or claims, to be adjusted. Where it is customary to make claims for freight shortage and damages in behalf of customers, special information will be required. This is also true of complaints on the performance of technical products. One company requires its salesmen to report the following information:

REPORT OF ADJUSTMENT OF COMPLAINT

1. Name of customer
2. Home office address of customer
3. Field office address of customer where equipment is located
4. Name of person in customer's home office who made complaint
5. Title of above
6. Name of man in charge of job where equipment is located

MAILING LIST REPORT

DATE _____

SALESMAN _____

A CORRECT MAILING LIST MEANS MORE SALES

Correct Title BE SURE Correct Address Correct Department		Check This Column to Add to Regular Mailing List	Check	Check This Column to Add to Miscellaneous Mailing List	Mark A, B, or C Prices
Firm	.T	Buy General Line Hardware		F Send Price-List on Lines Specified	
City	1	Buy General Line Knobs-Drawers		2 WG Bright Wire Goods and Cup Hooks	
State	A	Include Net Price-List		3 WG Coat and Hat Hooks	
Street	B	Special Quantity Price-List		4 WG Lock Washers and Auto Accessories	
Department	C	Unpublished Jobber Price-List		5 WGA Milk Jar Covers	
Buyer	S	Quantity Prices on Quantity		6 WGA Camp Chids	
Business	D	Special Quotation		7 A Stationery Wire Goods	
Rating		Jobber		8 CF Cutting Iron and Garment Hangers	
		Retailer		9 CF Screw-Drivers	
		Manufacturer		10 CF Rod Catches and Pids	
		Hardware		11 CF Taper Pins	
		Department Store or Home Furnishing		12 A Pin Straps	
		Variety or E-I-O		13 A Hanging Baskets	
		Refrigerator		14 A Conductor Strainers	
		Stationery		15 A Plym Overmura Frames	
		Auto Accessory		16 A Bicycle Baskets	
		All Others			
		Note Change			
		Remove from Mailing List			
		Change in Firm Name			
		Change in Address			
				Remarks	
				Approved	

SPACE BELOW FOR
OFFICE USE ONLY

Date Added _____
Check _____
Is Name New or Revised Firm? _____
Send Price-List to Customer _____
Make Office Record _____
Write Buyer's Record _____
Order New Sheet _____
Reify Factory _____
Transfer Sheet from P. L. _____
Remove Office Record _____
Destroy Sheet _____

Figure 36: Salesman's mailing list report.

7. Title of above
8. Name of man in charge of equipment complained of
9. Résumé of complaint as made by customer
10. Actual troubles as found by our inspector
11. Actual or theoretical cause of trouble
12. How trouble was remedied
13. If additional parts necessary to remedy, so state and accompany report with memorandum order covering same
14. If services of shop man necessary to remedy mechanical defects or trouble caused by faulty design, so state and give full report in triplicate on separate report blank, stating actual condition of equipment, cause of trouble, and suggested remedy. (This report will then be turned over to production division for necessary attention)
15. Give total of expense of inspector, itemizing as follows:
 - Traveling
 - Hotel and meals.....
 - Telephone and telegraph.....
 - Incidentals
 - Repairs purchased
16. Give suggested settlement of invoice if necessary showing suggested amount of credit to be allowed
17. Give name of inspector
(Signed)

Other reports required of salesmen. In addition to reports upon credit standing which were discussed in Chapter XXI, salesmen may be required, in particular firms, to make out a greater variety of reports than have been suggested, depending upon the nature of the business and the policy and practice of the house. In the case of a company selling road machinery, industrial trucks, and excavating machinery, a report is required upon each installation which includes the information which will enable them to allocate definitely the responsibility:

Date.....

1. Name of customer
2. Home office address of customer
3. Field office address of customer where equipment is located

4. Name of man in charge of job
5. Name of man in charge of equipment
6. Name of master mechanic on job
7. Report condition of equipment as found by installation man
8. Report any breakages or damages to equipment, specifying:
 - (a) Cause of damage
 - (b) Parts needed for replacement
 - (c) Send in order in duplicate for necessary parts, specifying:
 - (1) "No charge" and reason
 - (2) "Charge" and reason
If parts furnished "no charge," send express or freight receipt properly noted as to damage to enable us to enter claim against carrier
9. Give estimate of time required to complete installation
10. Give brief report on personnel at job so that we may obtain advance ideas as to trouble we will eventually run into with equipment on account of improper handling
11. General remarks

The purpose is obviously that of furnishing the sales department with a basis of facts to be able later to handle intelligently future dealings with the customer.

It is impossible in a limited space to give more than a general impression of the type of information and the types of reports which the salesman must make in order to bring about the desired cooperation with the house. The forms which he may be asked to make out are only convenient means of enabling him to give required information with a minimum of effort. The proper designing of forms to reduce the amount of time required for giving information requires skill and careful planning. It will be noticed that some of the forms illustrated furnish a maximum of information without requiring more than short words or check marks from the salesman. Forms may be used to elicit information when the exact type of information can be determined in advance. When that information cannot be determined in advance, it is necessary either to include some general

classification such as "Remarks" in other forms, or to ask the salesman to send letters.

SALESMAN'S LETTERS TO THE HOUSE

The salesman who appreciates the needs of the sales manager for information, the types of information which are of value to him, can frequently, through the judicious use of letters, give him facts and opinions concerning the business in his territory which are of the utmost value in properly judging the work done in the territory and in making plans for selling operations, for helping the salesman most effectively. Because it is important to know the salesman's attitude as well as territorial conditions, some sales managers regard the salesman's letter as an integral part of his duties. One company asks its salesmen to write a weekly letter taking up: (1) business conditions in salesman's territory; (2) his opinion, and leaders' opinions, as to local conditions; any original selling or advertising plans; (3) complaints; (4) favorable comments, getting letter if possible; (5) any other information to help house cooperate with customers. Other companies ask the salesmen to give information as to competitive conditions.

These letters of the salesman may be made very useful to the house and to the salesman himself provided they include information of value and opinions which are carefully thought out; but too often the salesman makes of his letter an opportunity to give excuses for failure to perform his work properly and for airing ill-considered opinions and grievances. Because of this tendency, some sales managers have come to the opinion that the letters of salesmen are valueless, an opinion which is obviously based upon their abuses, not their real values. The salesman should be informed as fully as possible as to the information which is desired; should be concise in giving that information; and he has a right to expect that if he does this, his letters will be read and promptly acted upon.

REPORT SYSTEMS

The reports required of the salesmen who are traveling for a particular business will, of course, depend upon the nature of the business, the policies of organization and control adopted by the company, and the method of carrying out these policies. Few companies require all the types of reports mentioned above. The average company requires a daily or weekly sales and call report, a daily or weekly expense report, a weekly letter, in addition to the information given on order sheets. But some companies require no reports whatsoever, except a verbal report at the end of a trip. Most sales managers are not satisfied to know so little about their men in the field; they require letters or reports at intervals.¹ Even with the best system of reports, there is something to be desired.

JUDGING THE WORK OF THE SALESMEN

Whether he wishes it or not, every salesman's work is measured and judged by his superiors. Such judgment is necessary for several reasons:

1. The salesman's compensation needs adjustment from time to time. The amount of increase or other readjust-

¹The report requirements of several companies will give a more definite idea of the relationship of reports to each other. The sales manual of a baking company states:

(1) Always send us your weekly route list and let us have this list by Monday of each week. (2) If for any reason you have to miss a town, report particulars immediately so we can write to the customers for mail orders. Also report at once the name of any customer from whom you do not get an order because of the buyer's absence when you called. (3) Expense books should be mailed to us on the night of the twenty-eighth, including your expense account for that day. (4) Always give us a full report of any change in firm name and give us the name of the successor who bought the store. (5) Always fill out a blank on new accounts you open and send it with the order. (6) If you have poor service in any of your towns on deliveries, report the particulars so our traffic department can help you. (7) Make all your correspondence brief and to the point. Always use the salesmen's letterheads provided for this purpose, and confine each letter to one subject. Write nothing on an order sheet that does not pertain to the order. (8) Make separate requests always for samples, price cards, price lists, advertising matter, and so forth—never put these on an order sheet.

In the manual issued to the salesmen of a company distributing canned goods, are the following instructions:

1. *Daily reports.* A daily report of calls, sales, and expenses is required from every salesman. A copy of this report must be made out each day and mailed promptly to

ment depends upon past performance, anticipated performance, or opinions and prejudices of those who are in authority.

2. The promotion of a salesman to a better territory, or to a better selling position, or to an executive position depends in part upon the judgment as to the previous work of the salesman and the qualities shown in that work.

3. Without means of measuring and judging his work, the salesman is unable at times to detect his own weaknesses, nor is the sales manager able to help him effectively.

There are few standards which can be set up absolutely to measure effectively the work of salesmen. The ultimate test is undoubtedly the long-run cost in terms of money, and the effort of performing particular tasks. Since the exact analysis of the salesman's work has not yet been carried to a satisfactory point, it is obviously impossible to get more than approximate data upon which to base conclusions. But among the measures which are used to evaluate the work of the salesman, are the following:

the plant and to the district office. Men who work under supervisors must also mail each day a copy to the supervisor.

2. *Condition letters.* A one-page condition letter is required from each salesman every week. This letter should be written and mailed with the Saturday report before midnight Saturday of the current week.

3. *Route lists.* It is important that each man keep on file in his district office and at the plant route lists which show, for two weeks in advance, where he will be each day and where he can be reached by mail or wire.

4. *Salary and expense vouchers.* Salesmen receive their salary and expense money each week provided they have sent each day a daily report to the plant, to their district office, and to their supervisor. On Saturday's report, we require each man to summarize his week's work—calls, sales, cases (both retail and jobbing), to list his expenses by days, report any money expended for spoils, and show his salary for the week.

5. *Requisitions and supplies.* There are a few simple rules which, if followed by salesmen, will result in prompt shipment of supplies:

(a) Order all report forms, order books, envelopes, and so forth, from your district office.

(b) Order all advertising supplies direct from the general office.

(c) When sending requisition for advertising supplies to the plant, send only the white copy, keep the pink copy and send the yellow copy to your district office.

(d) On receipt of the material, sign for it on the pink copy and return this copy to your district office.

(e) If advertising matter is sent you from the plant without being requested, a pink copy of a requisition will be mailed to you. This will notify you that a package has been shipped. It is your responsibility to call for the package and receipt for it as explained.

(f) The number of the requisition covering a shipment is marked on the package. Before signing the pink copy of the requisition, compare the number of the requisition with the number on the package.

1. *Volume of sales.* The most common measure of the work of the salesman is the volume of sales. Every sales manager uses figures of sales volume to compare the work of salesmen both with standards they have set up in their own minds, with definite sales quotas, or common figures in the trade. The total volume of sales of a salesman is a figure easy to obtain, and is frequently the basis for computing earnings. When further broken up into (a) sales by territories, (b) sales by products or classes of products, (c) sales by periods, days, weeks, months, or years, it is possible to determine whether sales have been distributed as desired over the market area, or whether some territories have been more productive than others in proportion to their possibilities and the sales efforts expended; whether particular products which the house wants to sell have been sold; whether sales are well distributed over the line or grouped undesirably along particular lines; or whether, on particular days or weeks or in particular seasons, sales have been normal or abnormal. The facts of divergence from expected accomplishment will be brought out in part; analysis and conference with the salesman will suggest additional reasons or methods of remedying the situation.

On the other hand, it must be recognized that the best volume of sales may not signify volume of profits, nor does it recognize work of the salesman in building a basis for future sales. A salesman who shows large volume of sales may not be as valuable as one who today sells less but is building soundly for the future.

2. *Relation of sales to quota.* The relation of sales to quota as a measure of performance derives its value from the accuracy and the care with which the quota has been established. If the quota is accurate and truly represents accomplishment which might reasonably be expected, the percentage of sales to quota is a significant figure; if quotas are inaccurate or carelessly established, the figure is useless unless the margin of error is similar and in the same direc-

tion for all salesmen, in which case a comparative value might be claimed for the percentage of quota attained.

3. *Expenses, or expenses and commissions in relation to sales.* The salesman's employer is interested, just as is the public, in effecting distribution economically; the relationship of expenses to the average expense per salesman, the ratio of expenses to sales, the ratio of expenses plus salesman's compensation to sales—all yield data of aid to the executive in judging the salesman's work. Sales executives become expert in judging expense accounts and a record of expenses placed before them shows up any unusual items or unusual proportions as matters which require explanation. The ratio of expenses to sales is not so generally used as is the ratio of compensation plus expenses to sales as a basis of judging the relative cost to the firm of the salesman's operations. A high figure may indicate either a difficult or unproductive territory or failure of the salesman to sell sufficient volume in proportion to his opportunity. Comparisons between territories, between different periods of time, and with average figures or standards are useful to the salesman and the sales executive.

Standards of sales force expense have been developed by experience and by research. The work of the Harvard and Northwestern Bureaus of Business Research, and of several trade associations have furnished norms both for wholesale and retail trades.¹ Comparison of the actual sales force expense in particular territories and for the individual salesman is enlightening.

4. *Profit and loss on the salesman's work.* A comparison of the cost of the salesman's work, including usually only his commissions or salary and expenses with the profits on the sales he has made, is also used to furnish a measure of the salesman's value to the house. It is obvious that the measure is incomplete, from two points of view. From the viewpoint of the house, a proportion of overhead should be

¹ See Tables 1 and 2, on pages 12 and 14; also bulletins there cited.

included because the maintenance of a salesman in the field costs more than simply compensation and expenses. From the view-point of the salesman, the profit and loss does not take into account good-will work which may lead to greatly increased profits on future business.

5. *Number of calls and relation of calls to sales.* The number of calls made by the salesman has value because, as has been pointed out before, there is an important and regular relationship between the number of calls and the amount and number of sales a man makes. Unless calls are made, sales cannot be made. The relative effectiveness of the salesman in selling is indicated in part by the relationship of sales to calls. As salesmen improve they are able to cut down the number of calls necessary to make one sale both by their ability to select prospects more accurately and by their ability to sell more effectively.

6. *Other records are of help in judging the performance of salesmen.* Customers' lists with records of calls, enable the salesmen and sales manager to determine whether prospects are being taken care of. Records of complaints, claims and cancelations, price-cutting, arranged by salesmen, sometimes show significant weaknesses in a salesman's work or peculiar conditions in a territory.

Time studies which have been used only rarely may reveal points of strength and weakness, but will be practically useful only when study has proceeded much further than it has at present in the analysis of the work the salesman has to do.

XXIII

STIMULATION OF PERSONAL SELLING: SALES CONFERENCES, CONVENTIONS, AND CONTESTS

Compensation as a stimulus. Stimulation of salesmen by correspondence. Sales conferences. Sales conventions. Sales contests. Planning the contest. Criticism of sales contests.

At several points it has been pointed out that the traveling salesman operates under conditions which render it difficult to perform his work most effectively both from his point of view and from that of his employer. Two facts are responsible for this. Obviously the salesman, in the nature of things, is more or less his own master while on the road. Although he may or may not have been told precisely what to do, and although he may be more or less carefully checked up by his superior, it is true, nevertheless, that the salesman on the road enjoys a good deal of independence, which he may use to the benefit or detriment of himself or his employer. Moreover, the salesman lacks the direct incentive in many cases, which is furnished by working with others at similar tasks. The traveling salesman is alone in his territory in many cases. He knows that no two territories have conditions that are exactly comparable. He knows that, if he is assigned certain customers or prospects, his list of customers and prospects is only in general similar to the list furnished to a salesman in another territory. It is easy, therefore, for the salesman to discover excuses for failure to exert himself fully in his work. He may claim that his territory is more difficult than that of some other man who has made a better record; that he has not been so fully supported by the house in service to cus-

tomers; or that the selling and advertising plans are not adapted to his territory so fully as to others.

If the salesman is paid a salary, he knows that failure to do a minimum of work or to obtain a minimum of results will affect his future salary and possibly his connection with the house, but he realizes that only in a vague manner. He cannot visualize so clearly what will happen next year as he can the extra energy required to do more work today, this week, or this month. Furthermore, the salesman's work as yet has not been so carefully analyzed, nor have sales organizations been worked out so fully as to enable the sales manager or the salesman to determine the exact amount of time to apportion to each task. That lack of standardization makes it more difficult for the salesman to check up his own efforts and makes it more difficult for his superior to determine with accuracy his weaknesses in performance.

All of these conditions create the need for a stimulus and incentive, so that the salesman will do justice to himself by doing the best that he can, and so that the work of the salesman will be carried on at a minimum of cost in comparison with results, an outcome which is of benefit to the salesman, to the employer, and to the public. This incentive to do the work which is needed and to do it in sufficient amount and in the best possible manner is furnished in many ways in addition to the incentive furnished by a man's "inner drive" and careful and adequate supervision. (1) Compensation plans may be adjusted in order to furnish the special incentives for the performance of particular tasks. Some of these variations have been mentioned in the chapter on compensation. (2) The stimulus to greater effort may come through letters and correspondence between the headquarters and the salesman. (3) Conferences of salesmen, including the pretentious conventions held less frequently by some companies, are planned in part as an incentive which will have its effect later when the salesman is in the field. (4) Incentive to more and better sales effort on the

part of the salesman is furnished by the stimulation of rivalry between individual salesmen, between groups of salesmen, and between the salesman's record at one period and his record at another. One form of such rivalry is illustrated by the sales contests used by many firms. Contests, conferences, and conventions are, of course, used for other purposes as well.

COMPENSATION AS A STIMULUS

It has already been stated that the incentive furnished by compensation is the most important. In fact, there are few salesmen who would continue their work were it not for their financial remuneration. Theoretically, the effectiveness of the compensation as a stimulus to do both the quality and the quantity of work desired should be sufficient, provided it varies directly with the performance of desired selling tasks. But it is clear that no compensation plan can vary directly with the degree of excellence of selling work and the amount and type of work done in order to effect sales, because only part of the work brings results which can be measured and only part of the results are realized within the usual period which elapses before payment or even within the period of employment of the average salesman. Commission plans and their variations, with bonuses, the splitting of commissions according to types of product, are commonly regarded as furnishing greater incentives for the performance of particular tasks than salary plans, but it is certainly not without significance that the majority of firms use salary plans. It is a recognition of the fact that the salesman's work consists of elements which cannot be directly measured on a piece-work basis, and that the control of the quality of work and type of work can best be secured by payment of a salary.

In practice, executives have found that many times neither salary nor commission plans, nor their variations and combinations, operate satisfactorily from the view-point of

furnishing sufficient incentive to the salesman to do his best. The failures of the salary plan are due to several factors: (1) the lack of direct connection between reward and effort, except over considerable periods; (2) the inadequacy of the salesman's training and of the cooperation of the house with the salesman; (3) the lack of realization by the salesman of the general relationship between reward and effort; and, (4) (and most important) the indefiniteness of the knowledge of both employer and salesman of the work to be done by the salesman and the best methods of doing that work. The frequent failure of commission plans of compensation to furnish proper incentive may likewise be due to the same causes. It has been found that many salesmen have established a certain amount of earnings, which they consider sufficient to maintain the standards of living to which they are accustomed. Whenever this amount has been earned, the salesman is inclined to slack up in his efforts and to be satisfied with his accomplishment.¹ To offset this influence of satisfaction with earnings, there are some companies, notably certain insurance companies, which have found that encouragement to raise the standard of living, to buy automobiles, or to own homes, operates as a stimulus, which tends to cause the salesman to work more nearly to his potential capacity.

Why should an employer be interested in furnishing other incentives when salesmen are operating on a commission basis? Can it not be argued that, so long as the salesman is operating on a commission, the house does not suffer if the salesman fails to work up to his capacity? The answer is very definitely that the employer has an interest in furnishing a stimulus for the man to do his best no matter how he is compensated. In the first place, the commission rate may not include traveling expenses. Even if it does, however, there are other more or less fixed expenses than those involved in traveling, so that the larger the volume of

¹ Fisher, Irving, "Supply Curves Which Turn Back," *Elementary Principles of Economics*, Macmillan, New York, 1913, p. 313

sales per salesman, the lower the percentage of selling cost.¹ Second, if the salesman is stimulated to sell more, his salary may be increased or his commissions will be automatically increased, the result being that the salesman secures larger earnings. With larger earnings the salesman is more contented and more loyal to the house. He has the satisfaction of having accomplished more, and the sales manager has a better basis for a loyal, hard-working force. In the third place, the smaller the number of salesmen required for a particular volume of business, the lower the costs of necessary supervision. Finally, the costs of distribution may be reduced, provided salesmen get a satisfactory amount of business out of their territories.²

STIMULATION OF SALESMEN BY CORRESPONDENCE

There are many sales managers who confine their efforts to stimulate salesmen to adjustment of compensation, correspondence, and occasional personal contact. There is no doubt that personal contact of able superiors with the salesman is very desirable and effective as a means of stimulation. In the exercise of his leadership functions, the manager of sales personnel is sometimes able to furnish an incentive to men to do their best which could be furnished as satisfactorily in no other way. But a sales manager, a branch manager, or other executive in charge of salesmen must possess executive qualities, qualities which enable him

¹ For instance, if a salesman sells \$100,000 in a year, his commission is 5%, his traveling expenses are \$3,000, the total selling expense will be 8%. But if he manages to increase his sales to \$150,000, with the probability that his traveling expenses will increase but little, he will have a \$7,500 income and \$3,500 expense and a percentage of selling expense of 7 plus. This contrast would become more striking if the special expenses which are attributable to supervision were included.

² It is not immaterial to the house whether the salesman sells \$100,000 or \$150,000 in a particular territory. In the first case, even with the same rate of commission, the costs may be considerably greater because if all salesmen did that, the costs of advertising and of the whole selling process would have to be distributed over a smaller sales volume than if each salesman were to get a larger volume.

to lead men. These qualities are frequently not combined with the ability to become a star salesman.

The nature of the traveling salesman's work, however, is such that personal contact is ordinarily impossible in sufficient measure to fulfil all the needs of supervision. Even the sales foreman, squad leader, or director, who supervises a half-dozen men and is traveling with one or the other all the time, can put in at a maximum only one-sixth of his time with each salesman. How much worse is the case when 50 or 100 salesmen report to the same superior, and yet apparently few of the larger concerns have seriously studied this problem of personal contact as a means of supervising and stimulating the salesmen, so that the new recruits may not become discouraged in the initial stage, or so that the veteran salesmen may not fall into a rut.

Perhaps the most commonly used method of stimulating salesmen other than that of compensation is correspondence and the use of sales letters. The letter to salesmen gotten out by the sales manager has several advantages. It can reach the salesman while he is en route at a time when stimulation is most needed. It is a method which costs much less than that of personal contact. Correspondence is a highly flexible means. One can change the amount and decrease or increase the number and size of letters whenever advisable. Nevertheless, one may say that he feels very doubtful about the value of sales letters if he examines the types used by many companies at the present time.

Leaving out of account the letters which are purely informational, issued for the purpose of giving the salesman knowledge of market and price developments, changes in stock, and the like, sales letters, to be at all effective as a means of stimulation, must show (1) that the writer knows the situation in the field. In the letter of stimulation, the writer is endeavoring to extend his personal influence to the salesman and that personal influence will be very much lessened if the letter betrays the lack of knowledge of conditions under which the salesman is working. It does not

mean that the writer must see things as the salesman sees them, but it does mean that the writer of the letter must give the impression to the salesman that he knows what he is writing about. (2) The salesman must have confidence in the writer. Too many sales letters are obviously the result of immature thought of those in the home office, who consider that the sales letter is merely a combination of words in which certain phrases, such as "bring home the bacon," "go-getter," and the like, are to be used with the greatest freedom. (3) The letters must offer real help or real inspiration, and not so much of the "pep stuff," much of which is obviously insincere. The "ginger" or "pep" letters used by many sales managers are often standardized. Sometimes the brand is varied according to the salesman to be reached. Such letters are sometimes effective, possibly at the outset. There are occasions where the sales manager, knowing the situation in the field, can, through a letter or series of letters of this type, inject enthusiasm or reduce discouragement in the ranks of salesmen and so secure more earnest effort on their part; but there are many other cases where such letters are worse than useless. The sales manager cannot accurately foresee the conditions under which the letter will be received and read by the salesman. There are many chances where even a carefully written "pep" letter will fail of effect because it does not fit. More often they fail because they do not ring true. They are not the extensions of the personality of a sales manager who possesses the respect, loyalty, and confidence of his salesmen. The salesmen are not convinced that he is performing his executive work in such a way as to be fair and square with his men and with his employer.

The use of letters is decreasing, apparently because they have too often proved ineffective. Like all other means of stimulation, letters devoted solely to arousing salesmen to increased effort must be used sparingly if they are to have any effect. Constant prodding, which some sales managers attempt through correspondence, soon fails to have much

influence. Salesmen become hardened to them, ignore them, or become irritated by them. On the other hand, letters of stimulation which show a sincere desire on the part of the sales executive to help the salesman improve his work and which show knowledge of the problems of the salesman and present concrete and workable plans and helps for the salesman will be welcomed and used.

SALES CONFERENCES

The traveling salesman's contact with fellow salesmen and with other members of his organization furnishes possibilities of benefit and instruction which are most valuable, though they are difficult to maintain. The salesman traveling in a local territory near to the branch or to sales headquarters is in a position to visit the office frequently, to meet other salesmen, and to confer with various officials concerning his problems. The salesman who is working a territory farther distant from the branches or headquarters finds that the loss of time and the expense involved in travel render it difficult to keep in personal touch with his fellow salesmen or even with his superiors. It is much more difficult to continue working effectively and to keep in touch with developments under such conditions.

Opportunity is furnished salesmen, through various types of conferences and conventions, to give them these contacts and to furnish inspiration and instruction which will enable them to do better selling. Two general classes may be distinguished. There are the conferences which are held at frequent intervals, sometimes daily, sometimes weekly or monthly, for the purpose of bringing salesmen together to discuss current problems, and for the purpose of discussing plans for future accomplishments or the results of past experiences. Likewise, there are the more elaborate conferences held at infrequent intervals, bringing together salesmen from a wider area, sometimes and in many cases from the entire United States where concerns have national distribu-

tion. The purposes of the two types of conferences vary somewhat, but in general, the purposes are stimulation, instruction, and control.

Salesmen who are traveling in the vicinity of sales headquarters or in the vicinity of the branch under which they are working will frequently be requested or required to attend conferences of the salesmen held at regular intervals. The conferences may be held every morning before starting the day's work, or every afternoon at the close of the day; more frequently salesmen are expected to meet weekly, often late Saturday morning or Saturday afternoon, to discuss the work of the week and to receive and give help in solving the sales problems of the coming week. Other companies arrange for such conferences at less frequent intervals, biweekly or monthly.

Such conferences, when properly conducted and when actively and intelligently participated in by the salesmen may be of very great help to him in his work:

1. The salesman secures information as to newer developments in the product or in the market conditions.
2. The salesman may benefit by hearing the methods of other salesmen and the instructions of the sales executives regarding the presentation of his product to prospective buyers.
3. The salesman becomes better acquainted with the house, its policies, its methods, and its personnel.
4. The salesman may be stimulated both by acquiring more knowledge about his work and by the example and enthusiasm of other men.

From the view-point of the salesman and from that of the house as well, many conferences are a waste of time because they furnish neither real help to the salesman in solving his selling problems nor inspiration to apply himself more diligently to his work. The failure of conferences to benefit may be due to faulty planning on the part of the salesmen or executives in charge of conferences; or in part to the

failure of salesmen individually to participate in a helpful spirit. If the problems discussed are really of moment to the salesmen, if the information given is really of value, and is given in a way that enables the salesmen to understand and assimilate it, the conference is bound to be successful.

A survey of jobbing houses by Dr. C. S. Duncan showed that the problems discussed in such conferences were problems of policy whose solution rests primarily with the company, and the solutions of which must reach the salesmen from company officials; problems of selling, solution for which must depend at least in great part on the experience, knowledge, and discretion of the salesmen; and special individual problems arising from certain sets of circumstances, solution of which could best come from a pooling of experience and judgment. Among the problems belonging to the first classification were (1) the taking on of new lines of goods, (2) special sales campaigns, (3) price changes, (4) list of goods to be pushed, (5) terms of sales, (6) sales costs, (7) methods of increasing sales, (8) delinquent customers, (9) allowances, (10) demonstrating and cutting samples of goods, (11) manufacturers' selling policies, (12) sales program for the coming week, and (13) general market conditions. The second class of problems included (1) trade and competitive conditions in the field, (2) specific selling problems, (3) trade practices, (4) price-cutting, (5) good selling lines carried by competitors, (6) attitude of retailer, and (7) complaints about goods.

Buyers, advertising managers, credit managers, claim clerks, the head of the shipping department, and other executives, attend the meetings frequently, for the purpose of answering the questions of the salesmen and receiving suggestions from them. In one company, a salesman's committee teaches the new man the policies and methods of the house. In another conference, with the sales manager in charge, the campaign for the ensuing week is planned.¹

¹One manufacturer of office appliances demands that all of his salesmen attend weekly meetings in the various branch offices. (This practice is common among office specialty manufacturers). The men arrange and

SALES CONVENTIONS

For many salesmen, engaged in selling to wholesalers or retailers, the semiannual or annual sales conference or convention furnishes practically the only means of contact with other salesmen and members of the sales organization. Such conventions are a part of the regular sales program of numerous manufacturers and wholesalers; much time and effort is spent in the endeavor to make them helpful to the sales organization as a whole and to the individual salesman. The programs are carefully planned, and large expense is frequently incurred to bring salesmen from their territories to sales headquarters or other gathering places which may be chosen for the meeting. The salesman has the opportunity of meeting other salesmen, sales, and other, executives.

The sales convention or major sales conference is sometimes mainly inspirational in purpose. Through entertainment, inspirational talks, and contact with one another, it is believed that salesmen will acquire enthusiasm which will result in better selling work during the coming season. Others are working conventions, in which the attempt is made both to review the facts and knowledge needed for successful selling of the product, and to present plans and new methods which will have to be put into operation in the succeeding year. Most sales conventions are a combination of the two.

Occasionally attendance at a sales convention is made a reward for meritorious work; such concerns as the National Cash Register Company and some insurance companies pay the expenses to the annual sales convention only

carry on their own conferences. A real estate company, located in a large eastern city, has a conference for all of its city men each Tuesday morning, the main purpose of which is to train the newer men. A manufacturer of bakery products, covering New England, calls his salesmen into conference each Saturday morning. Many of the branch metropolitan offices of the larger insurance companies send their salesmen out for the day after a morning conference, usually lasting from 15 minutes to a half-hour. This same procedure is often followed by various automobile distributors.

if salesmen have attained the required performance. It seems fairly clear that if the salesman is to get a reward for successful performance, the convention should be devoted in part or wholly to entertainment, and should not, therefore, be a working convention for inspirational purposes. A salesman who performs his work successfully does not need stimulation or instruction as much as others. Those members of the sales force who need the instruction of the work conventions are usually those who are left out.

There are many difficult problems in the planning and execution of sales conventions which are primarily of interest to the sales manager, though in their results they directly affect the salesman. The salesman benefits by a well-planned and successfully executed convention; he loses, as does his employer, by the unsuccessful convention. The fact that sales managers are divided on the question of whether or not to hold general conventions is indicative of their doubt as to the value of such meetings in bringing about sufficient additional sales to warrant the expenditure—therefore doubt about their value in helping or inspiring the salesmen to work more effectively. Among the problems which have to be solved before the sales convention takes the final form in which the salesman participates are the following:

1. *Shall the convention be an inspirational convention or a working convention?* From the view-point of the salesmen, the inspirational and entertainment convention is frequently the more enjoyable, but likewise less useful and beneficial. The growing importance of building salesmanship on the basis of knowledge and understanding of the product and of the market emphasizes the need of continual study and instruction on the part of the salesman. While he may benefit by inspirational features in a program, the sound and solid basis for selling is knowledge and understanding. In so far as a convention gives this and the salesman gets it, he will be really benefited. The trend seems to be toward working conventions, conventions in which the

salesmen, old and new, are given facts and the methods of using facts in order to sell.

2. *When and how often shall sales conventions be held?* Expense, time lost by salesmen from their work, and the value of such conventions are the factors which carry weight with the sales manager. The salesman cannot afford to take a week or two from his territory, unless the benefit he receives is at least in proportion to his loss, particularly if he is working on a commission basis. While occasionally the sales convention may take the place of a vacation period, the salesman cannot be expected regularly to give up his vacation or any large part of it for such a purpose. Conferences held as a regular part of daily or weekly work are frequently, if not usually, held on company time. This statement also holds true of many sales conventions.

Sales conventions of the type under consideration are usually held annually, although there are instances of companies which hold conventions semiannually, or of companies which hold conventions for part of their sales forces alternately with conventions for the entire sales force. The conventions are usually held in the dull season of the particular industry, when the cost of the loss of time of the salesman will be least.

When the number of salesmen is large, it may be advisable to alternate or supplement or even supplant a large national convention with more frequent district or branch conferences.

3. *What shall the program¹ for the convention contain?*

¹ One manufacturer of steel tools, located in the East, used the following program in a three-day convention which was conducted at the factory:

THE FIRST DAY	THE SECOND DAY	THE THIRD DAY
Morning:	Morning:	Morning:
Arrival and individual conferences	Visits to factory and individual conferences	Talks on the purchasing agent's point of view
		Railroad tools and selling railroads
		Gages
		Observations
		Trade survey
		General discussion

(Footnote continued on page 645)

How shall it be developed? The program for the convention of salesmen and sales representatives should be designed fundamentally to help the salesman in a sound and practical manner. The logical starting point is to determine what the salesman needs to equip him better for his work; and to build a program which will furnish or satisfy that need as far as possible. The needs of the salesman should be determined by careful study and inquiry on the part of those having to do with the program, not on the basis of someone's idea as to what the salesman needs. This study will show that in some companies, the salesmen know particular products inadequately; in others that salesmen do not plan their work in such a way as to utilize their time effectively. Some groups of salesmen get discouraged; confidence and inspiration may be secured either by inspirational talks, examples, or by improving the equipment of the salesmen. A new product may be launched; the great need of salesmen may be to secure information as to the product, selling points, the buyers and their objections, and the best methods of presenting the new product to buyers. The convention program may be directed toward helping the salesmen in many other ways, though it must always be borne in mind that the sales convention is only one of several means whereby the salesmen may secure information and inspiration.

4. *Where shall the convention be held?* The sales con-

(Footnote continued from page 644)

Noon: Luncheon	Noon: Luncheon	Noon: Luncheon
Afternoon:	Afternoon:	Convention adjourned
Talks on—	Opened by the president, followed by talks on—	
The Company's opportunity	Machine tools	
Plans for increased sales	Export selling	
Handling orders in the office	Factory deliveries	
Packing and packaging	How branch stores serve customers	
Credits	Customers	
Advertising	Special work with new industries	
Presentation of new articles	Meeting keen competition in New York City	
Evening:	Evening:	
Dinner, with evening at the disposal of the men	Dinner, followed by inspirational speeches by after-dinner speakers	

ventions of many companies are commonly held at sales headquarters; others hold the convention at some convenient central point, particularly if a visit to the plant is too expensive or is unnecessary. The factors which affect decision are fairly clear; nature of the convention, type of product, nature of program, location of plant, and other considerations.

Whether all these problems can be solved in such a way that the convention will be worth while to the house and to the salesmen will depend upon the conditions within the firm which contemplates holding such meetings, the care and intelligence with which they are planned, the faithfulness with which they are carried out, and the participation of salesmen and sales executives based on the knowledge and conviction that they will be benefited.

SALES CONTESTS

A method widely used as a means of stimulating the salesman to greater efforts is the sales contest, in which the element of rivalry is utilized both to add interest and to increase incentive. The practice of firms varies widely with respect to the use of contests. Some do not use them at all, do not believe in them; others believe that sales contests are absolutely necessary to help salesmen to do justice to themselves, and use them almost constantly. These differences of opinion are due to a number of factors: (1) The small company, in which personal contact with each salesman is possible for the majority of executives, is less in need of contests than the large firm with hundreds of salesmen, who necessarily come very little in contact with the chief executives. As a company grows larger, it becomes more difficult for the salesman to perceive the relationship of his own work to that of the company as a whole. (2) The character of the sales force has its bearing upon the use of contests. A sales force consisting of a few men of exceptionally high quality, selling a

technical product, will have considerably less use for the device of the contest than a company with many salesmen of mediocre ability, a sales force in which there are many salesmen who are not coming up to their possibilities. Salesmen who have less than average records will be benefited more by the contest, or some such device which will bring to them a realization of their own capacity, than would members of a sales force in which each man is working nearer the limit of his capacity. (3) The type of product which is to be sold may require a degree of selling effort which is difficult to maintain. It is not without significance that a recent investigation of the use of sales contests uncovered the fact that the majority of companies included in the investigation which used sales contests were companies selling specialties—that is, products requiring an unusual intensity of sales effort. It was concluded from this investigation that the sales contest was used most often in specialty lines, less frequently in those lines which might be grouped as convenience goods, and seldom in shopping goods. (4) Again, the personnel of the management may be such as to require special means of injecting a human element or an element of rivalry into the work of salesmen. With perfect direction, with the possibility of inspiration to best efforts to be obtained from superiors, there would be little need for these contests. But supervision cannot be entirely adequate. The salesman's work is carried on under conditions which make it difficult for him to secure inspiration from contact with superiors, even though those superiors are able to give it. The inner urge produced by rivalry may keep the salesman working more steadily, more nearly to capacity, than any general supervision or general inspirational material which the sales manager may try to give to his men. (5) Business conditions and changes in market conditions may sometimes make it imperative to secure extra sales or to undertake intensive effort along some line of sales work. The contest may be used in the attempt to call forth this extra effort at a time when such effort is especially

important, not only to the salesman and to the sales manager, but also to the whole enterprise.

Contests are used for a number of different purposes. They have been enumerated as follows:¹

1. To increase sales on the entire line
2. To push sales on special products
3. To launch and introduce new products
4. To obtain new accounts
5. To determine the real capability of the salesmen
6. To move overstocked merchandise
7. To move seasonal merchandise
8. To increase the number of calls and demonstrations
9. To obtain new recruits for the sales force

It may seem from this enumeration that contests are used primarily for the advantage of the house, but it should be realized that the increased sales which the salesman secures as the result of the contest affect his earning power, no matter whether he is on a commission or a salary basis, provided, of course, his increase is not offset by a subsequent slump. From the view-point of the salesman also, the contest may be important as revealing to him the capacity which he possesses for making sales, for working under pressure—in short, for accomplishment. Knowing his capacity, the salesman who is endeavoring to better himself will not be content to go back to a previous rate of effort although that called forth by the sales contest was beyond normal capacity and was performed under the stress of emotional excitement.

Contests vary in length from a week to a year, but most of them range from one to three months. The contest which is very short may not be so fair to the salesman as a longer contest, because it does not enable the man who is somewhat slow in starting to get well under way. On the other hand, a very long contest is not desirable because the effect of the stimulation is lost, and the salesman does not feel the pressure of rivalry any more than he would without a contest.

¹ *Harvard Business Review*, Vol. II, p. 484.

PLANNING THE CONTEST

In order to call forth the spirit of rivalry and to make that rivalry healthy and interesting, a great many plans have been used, many of them making an appeal to the instinct of play and rivalry. Some contests are set up as baseball games, others as horse, yacht, automobile, or airship races, and the like, the ideas being carried out with considerable detail in such a way as to appeal to men at a time when interest in a particular game is high.¹ The stimulus of the contest comes from two sources—first, the desire for distinction and the desire to stand well with one's fellow workers; second, from the rewards or prizes which are usually offered in such contests.

In some contests the reward is a minor matter, merely signifying that a given rank has been attained, and the stress is laid entirely upon an appeal to the salesman's desire to win in a contest with the other salesmen and the incentive furnished (where commissions are used) by the increased earnings which accompany increased sales. In other cases the rewards are of substantial value, given in the form either of money or of particular articles which are desired by the salesman.

¹ Some types of contests are the following:

- Sherwin-Williams Co. (paint) "14 Point Contest" during Peace Conference.
- F. E. Compton and Co. (bonds) Baseball contest.
- Burroughs Adding Machine Co., Humorous contests in which each man represented a soldier trying to reach "Quotalin." Perforated slips marked "brook," "trenches," and so on.
- American Multigraph Co., Fishing contest.
- H. D. Lee Mercantile Co., "Union-Alls"—used plan of pitting territories against each other.
- Protectograph Co., Tug of war with eastern salesmen (dudes) versus western (rough-necks).
- Addressograph Co., Target-practice contest.
- Bird and Sons (roofing) Cross-country hike, moving man ahead as his sales are reported.
- Ditto Sales Co., Wives, Sweethearts, and Mothers contest.
- Phoenix Mutual Life Ins. Co., Contest in honor of popular officer of concern.
- Burroughs Adding Machine Co. } Each salesman given a part of the factory to build
- Frederick Stearns & Co. } through his sales.
- Wright, Barrett and Stilwell (jobbers) hold complaint contests, future shipment contests, contests for city versus country salesmen, roo case club contests, contests for disposing of slow-moving lines, fight-to-the-finish contests, beating-your-own record contests, hard-hitting contests, billiard contests, and so forth.
- Edison Electric Appliance Co. (Hotpoint) Yacht race.
- Aluminum Cooking Utensil Co., Annual baseball contest.
- Delco-Light Co., Watt contests—every \$25 in sales being one watt.
- Fuller Brush Co., Radio contest.

The salesman insists, and is right in insisting, that the basis for the awards should give a chance to each man who is expected to take part in the contest. Where salesmen have even ability and territories which are of approximately equal sales value, the use of volume of sales as a basis for the determination of prize-winners is defensible, but it is interesting to notice that in the investigation above referred to, only 7 of a total of 27 sales contests had this as a basis. The absolute figures of sales volume have, in most cases, been discarded as a basis for judging the results of contests or as a basis for awards, because sales managers have felt that it is not equitable or fair to the salesman unfortunate in having less fully developed or less productive territory. Among the other bases which have been used are the following:¹

1. Points for percentage above quota
2. Points according to product sold
3. Points for orders and good-will efforts
4. New customers
5. Calls and demonstrations
6. Sales to special type of consumer
7. Number of orders
8. Number of new salesmen recruited
9. Number of dealers who tie up with advertising

The point system referred to is a device which is being used more and more by sales managers for the purpose of forming composite judgment on a variety of factors. Neither the salesman who gets the largest volume of sales, nor the salesman who gets the most new customers, nor the salesman who sells the most of a particular type of product, may be the best salesman. The all-round salesman, who does well all the things which make up the sales job, is the one who may be most valuable to his house, but if only one factor is used in judging sales, that man does not get recognition in such a contest. The carefully worked out point system, in which credit is given for sales, for new customers, for sending in reports, for recruiting new salesmen, and

¹ *Harvard Business Review*, Vol. II, p. 435.

for all the other things which a house wishes to have done, is much fairer both to the salesman and to the employer. If a contest is to be successful from the view-point of the salesmen who take part and from the view-point of the company, it must place the various members of the sales force on the same basis. The salesman who is in a poorer territory or the salesman who may not have the same degree of ability as one or two star salesmen on the force, is very apt to pay little attention to sales contests, if in one contest after another it appears that one or two men get all the prizes and all the recognition.

CRITICISM OF SALES CONTESTS

There can be no doubt that a contest under certain conditions may be desirable both from the view-point of the salesman and from that of the house. There is usually an increase in sales during the period of the contest. If the contest is carefully planned and is not intended to induce salesmen to put forth an amount of effort which they cannot maintain, the increase in sales may persist after the contest is over. But there are certain dangers in contests which the employer and the salesman must consider. The first is that, if the contest is successful in inducing intensive rivalry, it may induce the exertion of effort beyond a pace which can be sustained by the salesman without injury to himself mentally or physically. It is true that, where contests are used frequently and persistently, allowance must be made for the fact that men in such contests (if they do work beyond the capacity which can be maintained) must provide for reaction and relaxation. For instance, one company which uses contests almost continuously provides for one month's vacation in every six. More companies use contests intermittently, so that there is a period in which normal effort is put forth between the different contests. If a company uses many contests or uses contests continuously without making some provision for recuperation, the tendency is for

the salesman gradually to ignore the contests and for contests to have less and less of a stimulating effect upon sales. Contests may lead to jealousy among salesmen, because the distinction is sometimes pretty narrow between intense rivalry and jealousy. There is the further danger that, in the attempt to secure a large volume of sales, a salesman may overstock his customer and the result (both from the view-point of the salesman's future work with that customer and from the view-point of the house) is undesirable. The salesman, under the pressure of such rivalry, may sell to poor credit risks, with the resulting deductions from commissions or demerits on the salesman's record. If contests are used sparingly, they may help both the salesmen and the company using them. If they are made a substitute for good direction, if they are intended to compensate for the ineffectiveness of the general sales plan or the general work of the sales manager, they are to be denounced.

XXIV

ETHICS OF PERSONAL SELLING

Unfair trade practices and the law. Codes of business ethics. Codes of business ethics on personal selling. Commercial bribery. Conclusions.

ANY one engaged in personal selling will occasionally find himself confronted with ethical problems connected with his work which are not easy of solution. The pressure of competition, and particularly the competition of unscrupulous sellers, is such as to make it easy for a seller to stretch his opinions to cover the exigencies of the moment, to allow expediency to govern instead of principle, and to depart from the highest ethical standards, thus leading to practices which are deemed unfair among upright men.¹ While it is considerably clearer today what constitutes fair practice and unfair practice, there are no definite rules which will simplify the solution of all problems of ethics which sales executives and salesmen must face. The decisions of the courts and the statutes on the law books are constantly limiting this field of doubt, but much still remains to be done, particularly with reference to selling practices which only in a general way affect the individual purchaser.

From the view-point of the man engaged in business, whether he be salesman, sales manager, or a member of another department of the business enterprise, it is highly desirable that his occupation be considered ethically sound and commendable, and that in the pursuit of his occupation he should not be constrained to carry on practices which would be condemned by the standards of other occupations or professions. In other words, to have pride in his work and to bring business to the status of a profession, an ethical standard is necessary which compares favorably with the

¹ See page 33.

standards of the acknowledged professions. The necessity of a sound ethical basis for pride in one's work is, therefore, a first essential.

Second, it is being learned, slowly perhaps in some respects, but surely, that the ethical basis and the profitable and successful basis of selling are identical. According to an apparently colorless definition of selling, the sale must involve mutual benefit. Granting equal bargaining ability and power, no sale would take place unless both parties did secure mutual benefit; unless each one felt satisfied that the purchase and sale involved an increase in utilities, in increasing the sum total of human happiness. One may, of course, object to adopting a utilitarian basis of ethics as the basis of judgment of selling practices, but in dealing with an economic process it seems that the utilitarian basis is suitable and fitting.¹ Therefore, the economic basis and the ethical basis are similar. If the personal selling, as carried on, consists of economically sound individual transactions, then personal selling is ethical. Furthermore, personal selling as a whole must consist of economically sound, ethical transactions, to persist.

UNFAIR TRADE PRACTICES AND THE LAW

In general, the application of the principle that every sale must bring satisfaction, that every sales transaction must create utility for the buyer, is satisfactory as a rule of conduct. But there are many situations in commerce and in industry in which the apparent pressure to dispose of goods in order to continue large-scale operations is a great inducement to the sales department and to the salesmen to succumb to the temptation to take a short-run point of view and to get sales by whatever methods may seem effective

¹ It is unnecessary to go into an abstract discussion of the basis of ethical judgment, or to go into a discussion of what constitutes right and wrong in the abstract. It may be argued that what is, is right; that the consensus of practice is necessarily right—or that there are broad principles of morality by which all individual practices are to be judged.

at the moment. The pressure is increased by the unfair practices of some sellers, and by the collusion of those who influence buying.

Unethical selling practices existed long before the Industrial Revolution. The increase in unethical selling which some assert characterizes recent selling practices, in comparison to the pre-factory period, is apparent, not real; such assertions are based upon lack of knowledge of earlier business practices, and failure to recognize the fact that the number of business transactions is much larger than before. The great bulk of selling is carried on fairly and in an ethically proper manner; a larger and larger majority of business men are coming to see that the most effective way to do business and the most profitable is to follow ethical practices.

From time to time unethical and unfair practices come before the courts. They have been adjudicated under general statutes and the common law relating to fraud, conspiracy, restraint of trade, and the like. In various states special laws have been passed relating to unfair competitive practices. Likewise, in the Sherman Act of 1890 and more specifically in the Clayton Act of 1914, unfair competition and unfair competitive practices are prohibited. However, no definition of unfair practices was given in the law, that being left to the administrative body (the Federal Trade Commission), and to the courts, to decide.

The Federal Trade Commission has handled many complaints and has given many rulings regarding unfair trade practices. Some of the practices are bad according to any standards which might be established. There are others which have been considered fair among business men, but which in the long run do not operate in the interests of the public. In the effort to remove some of the doubt and ignorance of business men and the public regarding practices which might be unfair, the commissioner's annual report of 1925 included an extensive list of unfair practices brought before the commission and declared to be pro-

hibited. The group of practices of greatest interest in this discussion are those which directly affect the manner in which the salesman performs his work. But there are those which constitute unfair practice and which only indirectly affect personal selling, though it should be pointed out that such policies and methods are determined ordinarily by the house and not by the salesman. Lastly, there are unfair practices which affect the salesman indirectly because they relate to production and other divisions of the business enterprise. Among those of the first group may be listed the following:

1. Bribery of buyers or other employees of customers and prospective customers, to secure new customers or induce continuation of patronage;
2. Making unduly large contributions of money to associations of customers;
3. Procuring the business or trade secrets of competitors by espionage, by bribing their employees, or by similar means;
4. Procuring breach of competitors' contracts for the sale of products, by misrepresentation or other means;
5. Making false or disparaging statements respecting competitor's products, their business, financial credit;
6. Tampering with and misadjusting the machines sold by competitors for the purpose of discrediting them with purchasers;
7. Passing off products, facilities, or business of one manufacturer or dealer for those of another by imitation of products, dress of goods, or by simulation or appropriation of advertising or of corporate or trade names, or of places of business, and passing off by a manufacturer of an inferior product for a superior product theretofore made, advertised, and sold by him;
8. Misrepresentation in the sale of stock of corporations;
9. Selling rebuilt machines of various descriptions, rebuilt automobile tires, and old motion-picture films slightly changed and renamed as and for new products;
10. Giving away of goods in large quantities to hamper and embarrass small competitors, and selling goods at cost to accomplish the same purpose;

11. Various schemes to create the impression in the mind of the prospective customer that he is being offered an opportunity to make a purchase under unusually favorable conditions, when such is not the case, such as:
- (a) Sales plans in which the seller's usual price is falsely represented as a special reduced price made available on some pretext, for a limited time or to a limited class only;
 - (b) The use of the "free" goods or service device to create the false impression that something is actually being thrown in without charge when as a matter of fact the cost is fully covered by the amount exacted in the transaction taken as a whole;
 - (c) Sales of goods in combination lots only with abnormally low figures assigned to staples, the prices of which are well known, and correspondingly high compensating prices assigned to staples the cost of which is not well known;
 - (d) Sale of ordinary commercial merchandise at usual prices and profits, as pretended government war surplus offered at a bargain;
 - (e) Use of misleading trade names calculated to create the impression that a dealer is a manufacturer, selling directly to the consumer, with corresponding savings;
 - (f) Plans ostensibly based on chance, or services to be rendered by the prospective customer, whereby he may be able to secure goods contracted for at particularly low prices, or without completing all the payments undertaken by him, when as a matter of fact such plans are not carried out as represented and are a mere lure to secure his business;
 - (g) Use of pretended, exaggerated retail prices in connection with, or upon the containers of, commodities intended to be sold as bargains at lower figures;
 - (h) Falsely claiming forced sale of stock, with resulting forced price concessions, when as a matter of fact there is mingled with the customary stock inferior goods, and other methods are employed so that as a matter of fact no such concessions are in fact accorded;
12. Seeking to cut off and hamper competitors in marketing

- their products through destroying or removing their sales display and advertising materials;
13. Subsidizing public officials, or employees, through employing them or their relatives under such circumstances as to enlist their interests in situations in which they will be called upon, by virtue of their official positions, to act officially;
 14. Misrepresenting in various ways the advantages to the prospective customer of dealing with the seller; such as:
 - (a) Seller's alleged advantages of location or size;
 - (b) False claims of being the authorized distributor of some concern;
 - (c) Alleged endorsement of the concern or product by the government or by nationally known businesses;
 - (d) False claim by a dealer in domestic products of being an importer, or by a dealer of being a manufacturer, or by a manufacturer of some product of being also the manufacturer of the raw material entering into said product;
 - (e) False claim of "no extra charge for credit";
 - (f) Of being manufacturers' representative and outlet for surplus stock sold at a sacrifice, and so forth;
 15. Showing and selling prospective customers articles not conforming to those advertised, in response to inquiries, without so stating;
 16. Direct misrepresentation of the composition, nature, or qualities of the product offered and sold;
 17. Securing business through undertakings not carried out and through dishonest and oppressive devices calculated to entrap and coerce the customer or prospective customer, such as:
 - (a) Securing prospective customer's signature by deceit to a contract and promissory note represented as simply an order on approval; securing agents to distribute the seller's products through promising to refund the money paid by them should the product prove unsatisfactory, and through other undertakings not carried out;
 - (b) Securing business by advertising a "free trial" offer proposition when as a matter of fact only a "money back" opportunity is offered the prospective customer, and so forth.

While the line is not always marked between the first and second groups, a list of the condemned practices which will affect the work of the salesmen indirectly suggests other lines along which the development of standards of business conduct is proceeding.

1. Misbranding of fabrics and other commodities respecting the materials or ingredients of which they are composed, their quality, origin, or source;
2. Adulteration of commodities, misrepresenting them as pure or selling them under such names and circumstances that the purchaser would be misled into believing them to be pure;
3. The use of false or misleading advertisements;
4. Making vague and indefinite threats of patent-infringement suits against the trade generally, the threats being touched in such general language as not to convey a clear idea of the right alleged to be infringed, but nevertheless causing uneasiness and fear in the trade;
5. Wide-spread threats to the trade of suits for patent infringement arising from the sale of alleged infringing products of competitors, such threats not being made in good faith but for the purpose of intimidating the trade;
6. False claims to patent, trade-mark, or other rights, or misrepresenting the scope thereof;
7. Sales of goods at cost, coupled with statements misleading the public into the belief that they are sold at a profit;
8. Giving and offering to give premiums of unequal value, the particular premiums received to be determined by lot or chance, thus, in effect, setting up a lottery;
9. Any and all schemes for compelling wholesalers and retailers to maintain resale prices on products fixed by the manufacturer;
10. Imitating standard containers, customarily associated in the mind of the general purchasing public with standard weights of the product therein contained, and to sell to the public such commodity in weights less than the aforementioned standard units;
11. Concealing business identity in connection with the marketing of one's product;
12. Tying or exclusive contracts, leases or dealings, in which, in consideration of the granting of certain rebates or re-

- funds to the customer, or the right to use certain patented equipment, and so on, the customer binds himself to deal only in the products of the seller or lessor;
13. Use, by business concerns associated as trade organizations or otherwise, of methods which result in the observance of uniform prices for the products dealt in by them, with consequent restraint or elimination of competition; such as the use of various kinds of so-called standard cost systems, price lists, or guides, and so on;
 14. Interfering with established methods of securing supplies in different businesses in order to hamper or obstruct competitors in securing their supplies;
 15. Giving products misleading names so as to give them a value to the purchasing public, or to a part thereof, which they would not otherwise possess, such as:
 - (a) Names implying falsely that the particular products so named were made for the government or in accordance with its specifications, and of corresponding quality, or are connected with it in some way, or in some way have been passed upon, inspected, underwritten, or endorsed by it;
 - (b) That they are composed in whole or in part of ingredients or materials, respectively contained only to a limited extent or not at all;
 - (c) That they were made in, or came from, some locality famous for the quality of such products;
 - (d) That they were made by some well and favorably known process, when as a matter of fact they were only made in imitation of, and by a substitute for, such process;
 - (e) That they have been inspected, passed, or approved after meeting the tests of some official organization charged with the duty of making such tests expertly and disinterestedly or giving such approval;
 - (f) That they were made under conditions or circumstances considered of importance by a substantial fraction of the general purchasing public, and so on.

In the third group are some unfair practices which occasionally come close to the interests of personal selling, but refer to the business as a whole and not specifically to selling.

1. Inducing employees of competitors to violate their contracts or enticing away employees of competitors in such number or under such circumstances as to hamper or embarrass them in business;
2. Trade boycotts or combinations of traders to prevent certain wholesale or retail dealers, or certain classes of such dealers, from procuring goods, or goods at the same terms accorded to the boycotters or conspirators, or to coerce the trade policy of their competitors or of manufacturers from whom they buy;
3. Unauthorized appropriation of the results of a competitor's ingenuity, labor, and expense, thereby avoiding costs otherwise necessarily involved in production;
4. Preventing competitors from procuring advertising space in newspapers or periodicals by misrepresenting their standing or other misrepresentation calculated to prejudice advertising mediums against them;
5. Harassing competitors by requests not in good faith, for estimates on bills of goods, for catalogs, and so forth;
6. Bidding on the prices of raw materials to a point where the business is unprofitable, for the purpose of driving out financially weaker competitors;
7. The use by monopolistic concerns of concealing subsidiaries for carrying on their business, such concerns being held out as not connected with the controlling company;
8. Intentional appropriation or converting to one's own use of raw materials of competitors by diverting shipments;
9. Combinations of competitors to enhance prices, maintain prices, bring about substantial uniformity in prices, or to divide territory or business, or to put a competitor out of business;
10. Acquiring stock of another corporation or corporations where the effect may be to lessen competition substantially, restrain commerce, or tend to create a monopoly.

While these lists are not complete, they furnish evidence that in comparison with practices approved and tolerated in the latter part of the nineteenth century, there has been a very distinct improvement in the standard of selling practice. Some of the unfair practices have already been declared contrary to public interest.

The definition of unfair trade has been a difficult matter for the courts and for administrative bodies, just as it has been a difficult matter for business men. A history of the efforts to define unfair competition would show a distinct broadening of the scope of its conception, from the first attempts to oppose the grosser forms of monopoly and unfair trading,¹ to an attempt to carry out the principle of mutual benefit to producer, trader, and the public.

CODES OF BUSINESS ETHICS

Each of the professions has developed a code of ethics which constitutes one of its characteristic elements. The law has its code; the medical profession has its code. Those codes have been developed through many years. The law had been practiced for hundreds of years before the code under which legal practitioners operate was generally accepted. The possession of a code does not, however, prevent unethical practice; although the organized pressure of the members of a profession, who acknowledge and agree that proper conduct is represented by the code, does exert very great pressure upon the individual members. In the case of law, there is possible disbarment for the most flagrant violations of ethical practice. In medicine, most states have provided for revocation of licenses in the case of unethical practice.

Business in many respects is beginning to assume the characteristics of a profession, both as to ethical basis and as to the training required for the practice of many of its branches.² The solidarity which characterizes the majority of professions is coming more and more into evidence in business as well, and there are many trade associations which are actively interested in the formulation of codes of

¹ Haines, C. S., "Efforts to Define Unfair Competition," *Yale Law Journal*, Vol. XXIX, p. 1.

² Lowell, A. Lawrence, "The Profession of Business," *Harvard Business Review*, Vol. I, p. 129.

ethics or standards of practice. The reasons for this rapidly growing desire to formulate standards of practice seems to be, first, the development of a keener moral sense on the part of business as a whole, perhaps in part because of the acquisition to business ranks of a larger and larger proportion of able men who in former days would have gone into the learned professions. There is developing greater public pressure for higher standards of conduct in business. The situation at any particular time is one in which there are many firms whose ethical standards are considerably higher than those demanded by the public, many more firms whose standards are no higher than public opinion sanctions, and many firms whose standards are lower than the general level of practices permitted by the public as interpreted by the courts and administrative bodies. Lastly, there is the development of a desire of the able men in business to feel the same pride in their accomplishments and in their work as does a member of any other profession.

Many of the codes of ethics which have been formulated cannot be said to represent codes of ethics in the strict sense of the term. Some elements which do not involve ethical principles but merely the preferences of the members of a trade as to sales policies are permitted to creep into the standard of practice or the code. The attempt is made to give them the force of ethical sanction, when the provisions merely approve some of many possible practices all of which may be equally ethical, from the point of view of their influence upon public welfare.

One of the most important codes of business conduct, which has recently been published, is that of the Chamber of Commerce of the United States. It reads as follows:

“PRINCIPLES OF BUSINESS CONDUCT”

The function of business is to provide for the material needs of mankind, and to increase the wealth of the world and the value and happiness of life. In order to perform its function it must offer a sufficient opportunity for gain to compensate individuals who assume its risks, but the motives which lead individuals to

engage in business are not to be confused with the function of business itself. When business enterprise is successfully carried on with constant and efficient endeavor to reduce the cost of production and distribution, to improve the quality of its products, and to give fair treatment to customers, capital, management, and labor, it renders public service of the highest value.

We believe the expression of principles drawn from these fundamental truths will furnish practical guides for the conduct of business as a whole and for each individual enterprise.

1. The foundation of business is confidence, which springs from integrity, fair dealing, efficient service, and mutual benefit.

2. The reward of business for service rendered is a fair profit plus a safe reserve, commensurate with risks involved and foresight exercised.

3. Equitable consideration is due in business alike to capital, management, employees, and the public.

4. Knowledge—thorough and specific—and unceasing study of the facts and forces affecting a business enterprise are essential to a lasting individual success and to efficient service to the public.

5. Permanency and continuity of service are basic aims of business, that knowledge gained may be fully utilized, confidence established, and efficiency increased.

6. Obligations to itself and society prompt business unceasingly to strive toward continuity of operation, bettering conditions of employment, and increasing the efficiency and opportunities of individual employees.

7. Contracts and undertakings, written or oral, are to be performed in letter and in spirit. Changed conditions do not justify their cancelation without mutual consent.

8. Representation of goods and services should be truthfully made and scrupulously fulfilled.

9. Waste in any form—of capital, labor, services, materials, or natural resources—is intolerable and constant effort will be made toward its elimination.

10. Excesses of every nature—inflation of credit, overexpansion, overbuying, overstimulation of sales—which create artificial conditions and produce crises and depressions are condemned.

11. Unfair competition, embracing all acts characterized by bad faith, deception, fraud, or oppression, including commercial bribery, is wasteful, despicable, and a public wrong. Business will rely for its success on the excellence of its own service.

12. Controversies will, where possible, be adjusted by voluntary agreement or impartial arbitration.

13. Corporate forms do not absolve from or alter the moral obligations of individuals. Responsibilities will be as courageously and conscientiously discharged by those acting in representative capacities as when acting for themselves.

14. Lawful cooperation among business men and in useful business organizations in support of these principles of business conduct is commended.

15. Business should render restrictive legislation unnecessary through so conducting itself as to deserve and inspire public confidence.

It will be evident that an examination of this code is valuable both to the sales manager and to the salesman. It reveals the best thought of a number of leading business men in the United States. It is clear, however, that it has been made very general to apply to every business and to every part of a business. It applies not only to the sales but to the production and financial departments. The typical problems arise in successfully adapting this or any other general code to the needs of the individual salesman in every-day transactions. All admit that commercial bribery is bad, but there are many who are not so sure about price-cutting and price maintenance, both of which are condemned by different groups of business men.

CODES OF BUSINESS ETHICS ON PERSONAL SELLING

A study of the codes of ethics issued by various groups of business men reveals many points in common. Not a few of them emphasize the point that the seller must conduct himself in his relations to customers as he would like to be treated if he were a buyer instead of a seller. Some of the codes of ethics go into a great deal of detail regarding the practices which are to be considered unethical in making sales. Some of them contain little more than broad statements of general principles. Among the most common are those referring to misrepresentation of goods, dealings with

competitors, and commercial bribery. But, one can find examples of code provisions relating to every practice which has come before the Federal Trade Commission and a number of others.

Certain provisions are of special interest.¹ These are:

1. The provision relating to misrepresentation of goods sold or to misrepresentation of the seller. For instance, the American Face Brick Association includes in its code of ethics the statement, "Avoid scrupulously overstatements or misrepresentation of any kind in your own behalf either in advertising or in personal selling."²

2. A number of codes of ethics contain provisions that "sellers shall take advantage of no man's ignorance, shall see that employees are truthful and straightforward, and that keen and confiding buyers shall be treated alike."³

3. The provision against disparaging competitors or their products or prices is very common. One provision states that "as knocking is a practice unworthy of business, no salesman should speak disparagingly of another salesman or competing firm."⁴

More specific is the statement of the National Association of Oxy-chloride Cement Manufacturers, "the making or circulating of false or misleading statements, either written or oral, against the competitor's product, service, or selling price, or regarding his business, financial, or personal standing."⁵

4. It is generally considered unethical for a salesman to attempt to tamper with an order which has already been placed with another member or another manufacturer who is not a member;

¹E. L. Heermance has compiled in *Codes of Ethics: A Handbook*, over a hundred of these codes.

See also J. George Frederick, *Book of Business Standards*, New York, 1925.

²Among the other codes containing general provisions are the National Basket and Fruit Packers' Association; the International Association of Garment Manufacturers; the National Commercial Fixtures Association; the National Wholesale Men's Furnishings; the National Paint, Oil, and Varnish Association; and the Paint Manufacturers' Association of the United States.

³International Association of Garment Manufacturers has a similar provision in its code.

⁴National Commercial Fixtures Association code of ethics, Art. 9.

⁵Other codes contain a similar provision, such as of the Iowa Concrete Association, the National Confectioners' Association of the United States, and the National Association of Farm Equipment Manufacturers.

in other words, "to refrain from all further solicitation after a competitor has secured an adoption or an order to be considered such when formally expressed in writing."¹

5. Commercial bribery is universally condemned. The code of ethics of the Gas Products Association is as follows: "We shall not resort to bribery or other means of persuading customers to acts which discredit a competitor's product." The National Association of Hat Manufacturers declares, concerning its relations with customers, that it will not give commissions, money, or other things of value to the employees of customers for the purpose of influencing their buying.²

It is unnecessary to go into detail to show the type of practices which are considered unethical in trade and which should not be practiced by salesmen. An examination of the long list of codes which have been published gives one an impression that personal selling as practiced is striving toward a higher standard. In many cases it must be recognized that codes of ethics of business associations have been established and are practiced only by the leading, most progressive members of a trade. Nevertheless, a great deal of significance should be attached to these codes, not because they are followed out in actual practice today, but because they indicate how business men regard the future of business. Business will gradually rise to the levels set by these codes.

COMMERCIAL BRIBERY

One of the most important forms of unethical practice from the view-point of the salesman, and one of the most insidious forms with which the sales department has to deal is commercial bribery;³ that is, the direct or indirect

¹ Code of the Trade Practices, Steel Barrel Manufacturers Association, Art. 13, and Code of Ethics of Association of Face Brick Association, Art. 5.

² The Plywood Manufacturers Association, the National Wholesale Men's Furnishings Association, the Associated Metal Laths Manufacturers, the Western Association of Nurserymen, the National Paint, Oil, and Varnish Association are among the many which have such provisions in their codes.

³ The scope and application of the term "commercial bribery" as defined by the Federal Trade Commission is as follows:

(Footnote continued on page 668)

payment of gratuities to purchasers or to those who influence purchase in its most extreme form without the consent or knowledge of the purchasing employer. This bribery takes many forms. A salesman for a textile soap company bribes the foreman of a textile mill to recommend or insist upon his soap. The purchasing agent makes purchases in accordance with his recommendations. The salesman of a dye manufacturing company bribes the foreman of the dye-room of a cotton manufacturing plant to prescribe his dyes. If the purchasing agent purchases elsewhere because he can do so more satisfactorily, it is very easy for the superintendent of the dyeing room to make the other dyes go wrong. A very slight manipulation by the foreman will be sufficient to give the competitor's product a bad reputation, no matter how much advertising or how much effort the competitor has put into making his products of high quality. The salesman for a gas manufacturing device for large plants finds it difficult to sell to municipal plants because his competitor has bribed those who have to do with the purchasing of such devices. Testimony and court records show that commercial bribery is very common in certain lines, that certain industries are infested with it, and, as a whole, it is much more wide-spread than is commonly believed, although it should be emphasized that business as a whole is carried on, on a higher general level than a generation ago.

(Footnote continued from page 667)

1. The giving and offering to give, systematically and on a large scale, to employees of customers and prospective customers (a) gratuities such as meals, liquors, cigars, and other personal property, and in some instances, money; (b) Christmas presents and special holiday presents, including liquors, cigars, silverware, and in some instances, money—to influence such employees to purchase or contract to purchase from respondent.
2. The providing of entertainment for the employees of customers and prospective customers, systematically and on a large scale, including money for entertainment purposes, meals, drinks, cigars, and theatre tickets, to influence such employees to purchase or contract to purchase from respondent.
3. The giving or offering to give, systematically and on a large scale, to employees of customers and prospective customers, gratuities such as liquors, cigars, meals, theatre tickets, valuable presents, and entertainment, as an inducement to influence their employers to purchase or contract to purchase from respondent, without other consideration therefor.
4. The secret paying or offering to pay, and the secret loaning or offering to loan, systematically and on a large scale, to employees of customers and prospective customers and of competitors' customers and prospective customers, without the knowledge and consent of their employers.

Both from a moral and from a business point of view, commercial bribery as a practice is to be condemned. It is unethical because it usually attempts to divert an employee's interest from his employer to himself or to one who is selling to the employer. It tends to make employees dishonest. It is argued at times that the cost of bribery is considerably less than the cost of advertising, and that the company which wishes to place a given total sum with those who influence purchases may do so without increasing the cost of goods to the consumer, because this money might otherwise be spent in advertising. This argument is fallacious. It is true that in a given year and for a given amount one might bring about more sales through commercial bribery than through an advertising campaign, but that commercial bribery must be kept up indefinitely. There is no good-will attached to it; the company is building up no asset that will reduce sales resistance in the future, and is constantly risking the loss of customers when those in charge find that employees have been bribed to give the business to a particular company. Reputable companies and reputable purchasing agents are becoming more and more careful in their efforts to determine the presence of any undue influence. In the majority of reputable concerns today the employee who is caught accepting bribes of this sort for influencing purchase is immediately discharged. The code of ethics of the Purchasing Agents' Association prevents any such acceptance of bribes and the codes of ethics of important groups of business units specifically declare against it.

The usual excuse given for the practice of commercial bribery is that "every one does it" in the particular trade. There is no denying the pressure on the salesman when the house condones the practice or even furnishes the funds, and it is known that competitors get their business by such methods. The salesman may be dependent upon commissions; the house is dependent upon sales. That this bribery may have a very serious effect upon the company's business

is demonstrated by the experience of a New Jersey chemical company which in one year made profits and admitted to the Federal Trade Commission that it had paid \$40,000 in the form of bribes. When enjoined by the Federal Trade Commission from continuing the practice, the sales fell in the following year to only a fraction of the former figure. On the other hand, a competitor who did not carry on the practice, but who depended upon an aggressive selling effort along legitimate lines, would not be affected in any such measure.

The fact that there are unscrupulous business men, that there are firms which condone commercial bribery and other unethical practices, that there are salesmen who are perfectly willing, secretly or with the knowledge of their employers, to give bribes to those who influence buying, leads the student to the conclusion that the suppression of commercial bribery by law would be extremely desirable, because it would place the firms with unethical practices on a par with those which might desire to develop sales by more legitimate means. There have been commercial bribery statutes on the law books in many states, but for the most part they have been ineffective. Not one conviction in 10 years has been secured under the statutes of a prominent industrial state. The reason for this situation, for the fact that thousands of cases of commercial bribery go unpunished each year, is the difficulty of securing proof. Both buyer as bribe-taker and seller as bribe-giver are involved in a conspiracy of silence, and only in highly exceptional cases does one or the other ever break this silence in such a way as to involve them in legal difficulties. The proposal has, therefore, been made to put teeth into state statutes and to secure the enactment of effective laws in those states not now having legal bribery statutes by granting immunity to the first informer. It is expected that this provision will have a real effect in increasing the difficulty of the unscrupulous seller in offsetting legitimate and economic selling effort of a competing seller, who operates

on an ethical basis. If such laws are effective, they immediately remove the pressure upon the executives of the company to depart from the general inclination of business men to conduct their businesses on a high ethical plane.

Until such effective laws are passed and after the passage of such laws, it is necessary for individual business men, both as individuals and in association with other business men, to attempt to clean house. The paint and varnish industry, recognizing the existence of certain unfair selling practices, has established an unfair competition bureau for the purpose of exerting influence in the direction of fair practices and bringing about the discontinuance of unfair or unethical practices. The shipping industry has attempted to abolish commercial bribery through the medium of a corporation called the Shipping Service Corporation, in which the various shipping operators join to furnish funds for prosecution of cases of bribery which may be discovered by the agents of the corporation. Many other associations have joined the movement, which has been centralized in the Commercial Standards Council. The first purpose of the Commercial Standards Council is to eliminate commercial bribery, both by the concerted action on the part of the individual association contributing to the movement and by urging the passing of effective laws prohibiting the practice. But, of course, commercial bribery is only one of the selling practices which will require the moral support of the business community for elimination.

CONCLUSIONS

It is evident that the codes now available do not completely satisfy our needs. Revision, as our standards grow higher and as our practices and policies become better defined, will be inevitable. The more general realization of business men that high ethical standards are necessary will develop more satisfactory working rules. At the present time the most satisfactory ethical rules are those which are

derived from the definition of salesmanship given at the outset. The ethical basis of salesmanship is embodied in the idea that salesmanship must be mutually beneficial, an idea embodied positively in Christian morality and negatively in Confucianism and found in one form or another in practically all the great religions of the world. If one also bears in mind that, while expediency may rule in the choice between ethical policies, expediency cannot rule in the choice between ethical and unethical policies. Confidence must be built up as a basis for reducing the cost of distribution just as it must be present in every sale. Ethical practice develops such confidence; unethical practice destroys it.

While business is far from attaining the moral standards it should and will attain, one can point to definite progress in the development both of standards and of moral accomplishment. The history of commerce and industry reveals a slow but definite rise in the regard of men for commercial pursuits, due to the increasingly keen realization of the importance of economic effort. Coincidentally with this, the standards of business men have risen. When a sale was regarded as a transaction in which one party must be the loser, obviously ethical standards in selling could not gain much headway. In the ancient Greek era, commerce was considered unworthy of a free man. Commerce and selling were carried on by slaves, while citizens were left to run the state. In Roman times, wholesale business emerged as an occupation in which the elect might engage, but it was long before retail selling was considered an honorable occupation. The Dark Ages showed little progress and the development of scholasticism in the latter half of the Middle Ages placed the idea of fair price as a basis of commercial ethics. The school men made a great contribution in improving the status of labor, pointing out that all forms of labor were honorable, but there seemed to be a tendency to except the merchant from such universal approval, because there was still the feeling that in a sales transaction one

party must be the loser. It was not until the eighteenth century that the idea penetrated the minds of thinkers that economic transactions must give benefit to both parties, that the transaction could not take place unless each felt that he would get more satisfaction from making the transaction than from refraining from it. No more progress was possible in selling while the old idea prevailed. Adam Smith, in his *Wealth of Nations*, expresses a part of this general idea. There are refinements in Ricardo, but the full implications of selling came to be recognized in the analyses of the theory of exchange, the theories of value, and particularly in the analyses to which buying and selling processes were subjected by the Austrian School of Economists.

It is true that during the nineteenth century and previously, a new situation had arisen. The selling problem was immensely increased in difficulty and scope because of the Industrial Revolution and the mass production which was its consequence. Selling problems were shifted. Problems of physical supply seemed to be paramount. After the Civil War in this country, there was intense competition—new types of production, cut-throat competition among the railroads, rate wars—and a study of the period from 1870 to 1895 reveals little regard on the part of business men for ethical niceties. Public recognition of the situation was shown in the interstate commerce laws, and particularly in the flood of anti-trust laws culminating in the Sherman Anti-Trust Act of 1890. Both by legal decisions under the common law and by decisions under these statutes, many practices which were common prior to that time were prohibited. The emphasis upon unethical or unfair competition, which resulted in the passage of the Sherman Act, was directed against the trusts because unethical practices of some of them were much more conspicuous than the unethical practices of smaller units. It is even conceivable that the practices of the trusts were on the whole higher than the practices of most individual business men, but

obviously the social consequences of unfair practices, when carried on by huge aggregations of capital, are quite different from those carried on by small units. The practices which were forbidden by the Sherman Anti-Trust Act and by the decisions beginning with the 90's are now for the most part the exception rather than the rule. Whether or not those practices would have disappeared without such legislation is a matter of conjecture, but it is almost a truism that statute law progresses in the interpretation of most questions more slowly than does public opinion. It might well be that these practices, because they meet public condemnation, would have become unprofitable, and would have disappeared without any legislation.

The personal selling of a generation ago was, as a whole, on a much lower plane than personal selling today. Uniform prices under similar conditions were infrequent. Bribery, either by gifts or by entertainment ranging from innocent to highly immoral forms, was very common. The personal appeal was used to the limit to attract attention from real values. The forcing of the customer to overstock and the stuffing of orders were common. Salesmen whose moral standards were extremely low dealt with business men whose standards were not much higher. Trips were long, and many salesmen secured their orders when the effects of alcohol had made buyers' inhibitions less effective than under ordinary circumstances. As a whole, there was less stress upon knowledge of the technical qualifications of the goods applicable to the purposes of buyers than upon the personal relationships, because margins were huge and mistakes rectified at the expense of indiscriminating customers. The future of personal selling will undoubtedly bring the salesman a more definite knowledge of the elements of work, so that personal selling may be classified rather definitely under the various grades which are now more or less lumped together in any consideration. Some of the lower grades of work, which are essentially order-taking, will never be included in the profession of sales-

manship—if salesmanship is raised to that level—while other types of work requiring professional training and ability will fully deserve that status. In the future, likewise, ethical standards will be enforced by business enterprises and by salesmen themselves; and in the future we may expect a lowered unit cost of personal salesmanship because of greater effectiveness.

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APPENDIX A

SALES MANUALS

STARTING with a list of several hundred large and small industrial and commercial organizations, Wilford L. White made an intensive study of the type and content of the sales manuals used by 51 typical organizations. These can be roughly classified, according to the apparent purpose of publication, as follows:

I. Sales manuals prepared for company salesmen

A. Soliciting wholesalers and retailers

1. Technical discussion of the product (2 manuals)
2. Non-technical discussion of the product (13 manuals)
(Usually a discussion, with pictures, of the product, its parts, the manufacturing process, the finished products, and occasionally their uses)
3. Non-technical discussion of the product with some discussion of the market (8 manuals)
4. Discussion largely given over to marketing problems (12 manuals)
5. Advertising manuals (3 manuals)

B. Soliciting consumers

II. Sales manuals prepared for salesmen of the customers of the company.

A. The salesmen of jobbers (1 manual)

B. The salesmen of retailers (12 manuals)

A study was made of the manuals containing sections devoted to the problems of distribution, to find out what information is actually made available to the salesman in permanent form. Several of the manuals were not organized into definite sections nor were the divisions always called by the names given in the following outline. Never-

theless, the subject-matter was sufficiently comparable to serve the purposes of the study.

	Total: 20 Manuals
The product.....	17
Handling advertising.....	12
Making reports.....	12
Suggested methods of approach, interview, and close.....	11
The company.....	9
Assisting the dealer.....	8
The salesman, his opportunities.....	8
General instructions.....	8
Analysis of the market.....	7
Handling credit.....	7
Common objections and answers.....	7
Service	7
Handling claims and adjustments.....	6
The organization.....	5
Duties of the salesman.....	5
Routing	5
Company policies.....	4
Standard sales talk.....	3
Inspirational reading.....	3
The uses of the product.....	3
Handling collections.....	3
Classification of expenses.....	3
Sources of the prospects.....	2
Method of distribution.....	2
Cooperation with other departments.....	1

This outline gives a very definite picture of the information which is now available to salesmen for reference. It is quite noticeable that only one-fourth of the firms represented listed the duties of their salesmen in permanent written form. The reader will also see that while most sales organizations seem to appreciate the value of the salesman knowing his product, very few seem to realize that an understanding of the market is just as essential. Some of the work has been very carefully prepared at the expense of much time and money. Others are mere sales letters, bound together and called a sales manual. Most of them are put

up in a convenient size, durable, and easy to read. The majority of them are loose-leaf volumes of 30 to 150 pages although one contained over 1,000 pages.

It is interesting to see that in the newer manuals, there is a growing tendency to include more selling help, which the salesman can use in assisting his customers move their stocks. One firm gave about two-thirds of its manual to the problems of its customers and included sections on retail costs, advertising, layout, and so on.

As a result of this study of sales manuals, the following outline has been prepared, as one which sales departments generally might follow in organizing sales material and instructions for their own salesmen. In individual cases, certain sections, such as collections, might be left out. It seems, however, that the sections logically follow one another as presented and should be included in any manual which is prepared by the sales executive who today wishes to make his men most effective.

1. The company
2. The organization
3. The product
4. Uses of the product
5. Duties of the salesmen
6. Analysis of the market
7. Sources of the prospects
8. Routing
9. Suggested methods of approach, interview, and close
10. Sample selling talk
11. Handling advertising and dealer help
12. Assisting the customer
13. Selected inspirational reading
14. Handling deliveries
15. Handling credit
16. Handling collections
17. Handling claims and adjustments
18. Making reports
19. Common objections and answers
20. Classification and explanation of expenses
21. Miscellaneous

APPENDIX B

MARKETING DATA

AN increasing number of salesmen are making use of all the market data available to increase their effectiveness. One method used by a small group of men is to help a wholesale or retail customer see and meet his needs by indicating to him the size of his market. This has been made possible in a measure, by data prepared and published by the Domestic Distribution Department of the United States Chamber of Commerce, based upon figures of the Bureau of Labor Statistics. Detailed information regarding particular districts will ultimately be available if the efforts of the Bureau of Foreign and Domestic Commerce are continued along the lines initiated in the recent publication, *Commercial Survey of the Philadelphia Marketing Area, (Domestic Commerce Series Number 1)*.

The figures given on pages 684-686 are for 1923, but they can be brought up to date by determining the price changes during the interim and adjusting prices accordingly. Armed with this material, a salesman, after he has learned the extent of the market for a particular store, can approach a retailer with information about his own market which usually leads to an interview of mutual advantage. With a knowledge of the number of persons in the territory served by the dealer, the salesman can determine the potential sales for the particular product in which he is interested, in terms of dollars. After determining the sales of the dealer and his estimate of the sales of his competitors (who may be retailers located in near-by towns, or distant mail-order houses) the salesman can indicate the resulting figure representing that part of the market which apparently remains unsold. Naturally, allow-

ances must be made for unusual current conditions, but such an analysis is more concrete than those employed not only by most salesmen, but by retailers themselves.

The United States Chamber of Commerce first determined the yearly per capita expenditures as follows:

ITEMS	1923	
	Percentage	Amount
Food	29.8	\$ 97.58
Clothing	14.7	48.03
Furniture and Furnishings	5.5	18.15
Fuel and Light	6.4	20.91
Miscellaneous Commodities	7.0	22.94
Miscellaneous Services	18.0	58.99
Rent	18.6	61.06
Totals	100.0	\$327.66

Two of these groups have been subdivided to show the yearly family expenditures of individual items:

CLOTHING	Average Expenditure per Family* 1923
<i>1. For Males</i>	
(a) Ready to wear: suits, wool; suits, cotton; coats, separate; overcoats; pants, wool; pants, separate; mackinaws; raincoats; sweaters and jerseys; overalls; jumpers; shirts, cotton; shirts, wool; shirts, silk	\$ 57.13
(b) Undershirts, cotton; undershirts, wool; drawers, cotton; drawers, wool; union suits, cotton; union suits, wool; pajamas; night shirts; socks, cotton; socks, wool; socks, silk	16.79
(c) Shoes, high; shoes, low; rubber boots; house slippers; spats and leggings; rubbers; arctics	24.73
(d) Gloves and mittens; leather, dress; gloves and mittens, leather, work; gloves and mittens, cotton; gloves and mittens, wool	2.31
(e) Collars; ties; handkerchiefs; mufflers and scarfs; garters; belts; suspenders	5.48
(f) Umbrellas . . . . .	.26
(g) Pocketbooks . . . . .	.07
(h) Watches and jewelry	1.54
(i) Dresses, rompers; underwaists; petticoats; for male children	1.88
(j) Hats, straw . . . . .	.97
(k) Other clothing	1.00
Totals for Males	\$112.16

*Average number of persons per family: 4.9.

CLOTHING (Continued)		Average Expenditure per Family 1923
<i>2. For Females</i>		
(a)	Hats.....	\$ 8.07
(b)	Veils.....	.10
(c)	Caps.....	.74
(d)	House dresses; bungalow aprons; wrappers and aprons.....	4.01
(e)	Suits, cotton; suits, wool; suits, silk; shirts, cotton; shirts, wool; shirts, silk; waists and blouses, cotton; waists and blouses, wool; waists and blouses, silk; dresses, cotton; dresses, wool; dresses, silk.....	31.56
(f)	Coats and cloaks, cotton; coats and cloaks, wool; raincoats; sweaters and jerseys, wool; sweaters and jerseys, silk.....	14.50
(g)	Petticoats, cotton; petticoats, wool; petticoats, silk.....	3.04
(h)	Furs and boas.....	1.12
(i)	Brassieres; corset covers; camisoles; combinations, cotton; combinations, silk; union suits, cotton; union suits, wool; union suits, silk; chemises, cotton; chemises, silk; drawers, cotton; drawers, wool; drawers, silk; nightdresses, cotton; nightdresses, silk; pajamas, cotton; kimonos, cotton; kimonos, wool; kimonos, silk; stockings, cotton; stockings, wool; stockings, silk.....	20.46
(j)	Shoes, high; shoes, low; house slippers; spats and gaiters; rubbers; arctics.....	21.63
(k)	Gloves and mittens, kid; gloves and mittens, cotton; gloves and mittens, wool; gloves and mittens, silk.....	1.71
(l)	Collars; collar and cuff sets; ties; ribbons; handkerchiefs; scarfs; garters; belts; hairpins; nets....	3.26
(m)	Sanitary supplies.....	0.27
(n)	Umbrellas; parasols.....	.40
(o)	Handbags; purses.....	.57
(p)	Rompers; underwaists; for female children.....	.46
(q)	Other clothing.....	1.28
(r)	Watches and jewelry.....	1.41
	Total for Females.....	\$114.59
	Total for Males.....	112.16
	Total Male and Female.....	\$226.75
	Add—Unclassified.....	8.60
	Total Expenditures for Clothing.....	\$235.35

FURNITURE AND FURNISHINGS	Average Expenditure per Family 1923
Carpets and rugs	\$ 6.65
Strip linoleum and matting	2.45
Tables, chairs, and stools	6.18
Sideboards, buffets, and china closets	1.71
Upholstered furniture	2.61
Bedroom furniture (including springs)	6.33
Living-room pieces, (non-upholstered) . . . . .	.41
Bedding, mattresses, pillows, comforts, and blankets	6.01
Stoves, ranges, heaters and fireless cookers	6.92
Kitchen cabinets . . . . .	.78
Refrigerators	1.18
Carpet sweepers and vacuum cleaners . . . . .	.57
Mops, brooms, and brushes	2.28
Linens and oilcloths	6.00
Talking machines and records	5.51
Pianos, players, and rolls	7.54
Draperies, sofa-pillows, and window shades	2.90
Washing machines, (electric, gas, and hand-power)	1.04
Other laundry equipment	1.44
Dishes, glassware, and so forth	2.15
Lamps	1.62
Baby carriages and go-carts	2.78
Toys, sleds, carts, and so forth	5.82
Sewing machines	2.42
Kitchen utensils	1.46
Picture frames, mirrors, and clocks . . . . .	.97
Other furniture and furnishings	1.70
Window and door screens . . . . .	.52
Other musical instruments . . . . .	.44
Knives, forks, and spoons . . . . .	.49
Total Expenditure	\$88.88

APPENDIX C

STANDARDIZED SALES TALK

THROUGH the courtesy of Dr. John A. Stevenson, second vice-president of The Equitable Life Assurance Society of the United States, the following case taken from the *Equitable Field Course for 1925* is reprinted to illustrate both analysis of a buyer's wants and the use of such analysis in a standard sales talk. Other standard sales talks are to be found in Dr. Stevenson's *Constructive Salesmanship*.¹

COST ANALYSIS

Picture of a Typical Middle-Age Man

Arthur A. Henderson, 44 years old, married, wife 44; three children—Martin, 16 years old; Naylor, 14 years old, and Peggy, 10 years old. He is a real estate broker dealing chiefly in country and suburban properties; is well known as being honest and painstaking in serving old clients and prospective customers; is considered fairly successful. He is a college graduate, an authority on Shakespeare, a member of the Unitarian church, a golf player and a good fisherman; lives in a suburb of a large city where he owns a nice home worth \$18,000, bought at a bargain and mortgaged for \$8,000.

Mr. Henderson's income is not regular, varying with the extent of real estate operations at different times. An average year, however, yields him \$12,000 to \$14,000 from his business. He owns a tract of land adjoining the city, purchased 10 years ago and for which he paid \$10,000, and which represented his entire savings. He has great faith in the future of this land, anticipating a development of the city in that direction and expecting that some day this land will be very valuable. But there is no immediate prospect of such a development. He bought the land as a venture and it is doubtful, if it were put up for sale now,

¹ Harper and Brothers, New York, 1923.

if it would bring any more than he paid for it. The taxes on this land are \$300 a year.

He has not practiced systematic thrift, nor has he any definite plan as to his financial future, other than the prospect of the development of this land and his commissions on sales. He has an extravagant family, they have many friends, entertain extensively, dress well, and run a high-priced car. When he occasionally makes a good profit on an unusual sale, he buys some bonds or stocks, and during the past 10 years has accumulated in this way \$10,000 of 5% bonds and \$5,000 of reasonably good stocks which pay 6%. On the average, he is not saving over \$1,500 a year and has only \$8,000 life insurance. Neither he nor his wife nor their children have any prospect of inheriting money. He frequently owes \$1,000 or \$2,000 at the bank.

Diagnosis of Needs

1. Mr. Henderson probably does not realize the financial embarrassment which would confront his family if he were to die in the near future. Their only quick assets would be the \$8,000 of life insurance, the bonds, and possibly the stocks. The home is not a quick asset. In fact, if he should die, the holder of the mortgage would probably take some measure to guarantee his investment. The tract of land is not a quick asset. It might be a long time before anything could be realized on it except at auction. But, there will be certain immediate liabilities at his death. Notes at the bank, his income tax, possibly state, county, and municipal taxes on his land and home; all outstanding bills accumulated during his illness; doctor and hospital bills; funeral expenses, and so forth. All these bills would have to be paid promptly. The mortgage ought also to be paid off if the family is to live in the old home.

The total needs for cash will amount to several thousand dollars:

Notes at the bank, about.....	\$ 1,400
Income tax for one year, about.....	600
Taxes on home and land, about.....	700
Outstanding bills, about	700
Doctor and hospital bills.....	600
Funeral expenses	1,000
Mortgage on home.....	8,000
Total cash required.....	<u>\$13,000</u>

Probably Mr. Henderson has never sat down and figured that Mrs. Henderson, or some one else, acting as administrator or

executor of his estate, will be obliged to find the cash to meet payments such as those suggested above. Yet if he will consider for a moment, he will realize that some day some one will make up a similar list of items from the various bills and claims, that will be made against his estate in the natural course of events.

Unless he arranges, through life insurance, to have the necessary amount of cash paid to Mrs. Henderson, or to his estate, at his death, she, or some other person, acting as administrator or executor of the estate, must secure the money in another way. How will she do it? Here, let us say, are the several creditors of the estate, each of whom wants money—cash—and should have it at once. There is a total of \$13,000 to pay. The life insurance companies have paid Mrs. Henderson \$8,000 and there is, say, \$650 in the bank, a total of \$8,650.

Much to Mrs. Henderson's surprise and anxiety, it will take all the life insurance (which she had thought would furnish her an income) plus the money in the bank, and about \$5,000 besides. If the security market should happen to be unfavorable, she would probably borrow the \$5,000 on the stocks and bonds. If the security prices should happen to be good, \$5,000 worth of securities would probably be sold.

After every indebtedness has been paid, there remains the home free and clear, an equity of about \$10,000 in stocks and bonds, and the tract of land.

It is clear that Mr. Henderson should carry at least \$13,000 to \$15,000 of insurance for the purpose of liquidating the mortgage, meeting all other obligations, and paying expenses of his last illness and his death. Obviously, it will take \$5,000 to \$7,000 more life insurance than he now has to "clean up" his estate at his death.

2. The second need of the family will be money to meet their regular living expenses. Unless Mr. Henderson accumulates much more property than he now has, or arranges through life insurance to do it, his family will have to live in greatly reduced circumstances.

If Mr. Henderson should die now, it would take more money to support the family than it would if he should die 10 or 12 years from now; for 10 or 12 years hence the children will be from 20 to 26 years of age, the boys will, by that time, be through college and will be earning their own living, the daughter will be nearly through college and will probably marry or earn an income for herself.

So, Mr. Henderson's family, in the event of his death now, would need a larger income for the next 10 or 12 years than it

would later. Hence, any insurance program that is submitted to Mr. Henderson should provide for this larger temporary income. The expenses of the family at the present ages of the children are necessarily very heavy. Besides the taxes on the home and upkeep and fire insurance, there would be bills for groceries, laundry, fuel, light, clothing, telephone, recreation, books, periodicals and newspapers, household utensils, and replacement and repairs. The members of his family are now spending several hundred dollars a month for living expenses and, while Mr. Henderson may not be able to assure, in the event of his death, a continuation of their present scale of living, he should at least provide for a minimum allowance for their living expenses. This can be done most advantageously by providing for such distribution of his new life insurance as will give his family a larger income for the next 10 or 12 years than subsequently, and, further, a minimum income for Mrs. Henderson for the remainder of her life. To do this he will have to determine the minimum amount of money necessary to meet the family living expenses, and how much he can spend annually for life insurance.

3. Mr. and Mrs. Henderson are college graduates and both want their children to have the advantages of a college education. If he continues to live, the children will have an opportunity to go to college; if he should die and leave his family only enough money to liquidate his obligations and to pay its living expenses on a minimum basis, it would be difficult to send the children to college. If possible, he should, therefore, provide for the proper education of his children. The amount of life insurance which Mr. Henderson may be induced to buy to assure the education of his children will depend upon the extent to which he and Mrs. Henderson are willing to adjust their present scale of living in order to furnish the money to pay for it. If he does not feel that he can provide the \$5,000 or \$6,000 for each of them, he might compromise on, say, \$500 a year, as a partial support for them while they are in college. This will have to be determined by a conference with Mr. Henderson.

4. Any one who will consider carefully Mr. Henderson's present income and the family's present scale of living and will compare them with the income the family would have if he should die in the near future, can readily see that they would have a hard time adjusting themselves to their new financial situation; and much more so if the adjustment had to be made immediately. For instance, they might decide to sell the home and live in a

cheaper place; but this probably could not be done at once. After the death of a man of Mr. Henderson's situation, the first few months immediately following are very hard. Therefore, it would be desirable to provide a special income for such a period to enable the family to adjust itself to the new situation.

5. Mr. Henderson is now 44 years old. While he has saved some money since he entered business as a young man, he is not thrifty. There are probably two reasons why Mr. Henderson has not been thrifty; first, his own and his family's tastes are extravagant and he has allowed his expenses to increase at a more rapid rate than his income. Second, he has had no definite program of thrift. His income has been fairly large, but he has never schooled himself to save a definite portion of it under an intelligent plan for accumulating an estate. He needs to learn a lesson of thrift, and to acquire the habit of systematic saving.

Mr. Henderson also needs a practical plan to help him save a larger portion of his annual income, and since he is now 44 years old, small savings will not, even though he live to be 60 or 65, create for his family an adequate estate. Therefore, it is necessary that he use life insurance to accomplish this.

Besides, Mr. Henderson has, at the outside, only 20 or 25 years left in which to provide for his own old age. He probably has begun to feel keenly the need of preparing his finances so that he may live decently on his income if he is not so active after he reaches 65.

Life insurance will be of great service to Mr. Henderson if he will adopt it as the means of providing financial independence for himself and his family if he lives, and for his family if he dies prematurely. The need for independence in old age should be one of the bases on which the agent will present life insurance to him, and a program which will provide a substantial amount of money when he is, say, 65, will make a much stronger appeal than one which will not.

Persons who have reached middle age without having saved anything, or whose savings have been extremely small and irregular, will, as a rule, find it almost impossible to overcome their spendthrift habits and to save substantial amounts regularly, unless they adopt some method of semicompulsory saving such as life insurance, a home purchased on the instalment plan, building and loan or cooperative bank shares.

Such persons need more than an incentive. No doubt they have incentives enough. They probably know from experience how distressing it is to be caught in the net of some emergency with no savings account with which to extricate themselves; they

know they will have nothing in old age unless they save their money; no doubt they envy people who, with no larger incomes, now own their homes and are perhaps receiving a substantial income from invested funds; it is also quite possible that they also begin to feel that their neighbors and business associates who are thrifty are beginning to consider them with less favor than they formerly did. They feel somewhat "out of it" when investments are discussed.

But old habits are hard to break. If such people are not assisted, persuaded, sometimes almost pushed into some system of saving which involves a certain obligation to pay or deposit money at regular intervals, most of them will never accumulate funds of any considerable size.

Next to the needs growing out of the possibility of a man leaving his wife and children financially helpless, there is no other economic need of greater importance than the saving of money and the investing of it safely for one's future, especially with a view to independence in old age. This need demands the conscientious attention of the life underwriter.

The budget should be used regularly with such people. Show them your own budget; show them how it helps you to save your money, and show them what life insurance is doing for you in your system of saving.

Mr. Henderson's income is uncertain. Like all optimistic people, he is ever thinking that he may any day turn a big deal and make a large profit. The tract of land which he bought is his pet and he confidently believes it will some day make him and his family independent.

Mr. Henderson will have to be sold on the idea of the danger

A PLAN TO COVER THE NEEDS OF THE HENDERSON FAMILY
NET INSURANCE

Kind	Amount	Premium	Settlement
10-year term	\$22,000	\$ 370.48	{ \$ 5,000 cash 2,000 in monthly payments for 1 year 15,000 in monthly payments for 10 years
Convertible	\$20,000	\$1,023.40	
	\$42,000	\$1,393.88	Option 1 for lifetime of Mrs. Henderson

with which his family is daily confronted by his present lack of provision for their future needs in case he should die. It will require a more substantial life insurance premium than he may be willing to pay, unless the agent can induce him and his family to establish a maximum budget of living expenses. By saving a little on such items as clothing for the family, entertainment, vacations, and so forth, they would have the money to pay for a well-thought-out insurance program that would cover all of their needs as enumerated below:

Assuming that, in the event of Mr. Henderson's early death, his family would find its present home too expensive as a residence and would sell it and purchase a new home for, say \$12,000, leaving \$6,000 to be invested in 5% bonds, his affairs would, under this program, stack up as follows:

The present \$8,000 of insurance and the \$5,000 paid in cash would furnish the \$13,000 necessary to pay off the bills previously itemized. Mrs. Henderson would then have a home free of debt and an income from the following sources:

Bonds—\$16,000 at 5%.....	\$ 800
Stocks—\$5,000 at 6%.....	300
\$15,000 Life Insurance, Option 2, 10 years with excess interest each year approximately.....	1,740
\$20,000 Life Insurance, Option 1 (present interest 4½%)	<u>900</u>
Total Annual Income.....	\$3,740

In addition, Mrs. Henderson would have \$2,000 for the first year, which would give her the comfortable income of \$400 to \$450 a month for the first year and thereafter a little over \$300 a month for the next 10 years. At the end of this 10-year period the children, with the exception of Peggy, would presumably be earning their own living, and Mrs. Henderson would have a home and an income of \$1,100 from her bonds and stocks, and \$900 from the \$20,000 policy which was settled under Option 1. If Mr. Henderson should happen to die within a year after adopting this program, the family would have to cut down its scale of living, but Mrs. Henderson would be reasonably well provided for over the ensuing 10 years and then, being a woman 55 years old, she would own her home and have \$2,000 a year income.

It might be suggested to Mr. Henderson that in his will he could provide for the tract of land to be handled by a trust company, for the education of his children, giving the trust company authority to sell it and invest the proceeds in good bonds, with

the interest to accumulate, leaving both principal and interest to be used for the education of his children under such arrangement as he would make with the trust company.

If he took favorably to this idea, it might be further suggested to him that the other bonds and stocks of his estate could be handled by the same trust company for the benefit of his family. This would safeguard against their selling them and using the principal.

This plan could be offered to Mr. Henderson as the minimum insurance program whereby he can make provision for his family. It would be impractical for them to get along comfortably on any less. Mr. Henderson's greatest liability will be during the next 10 years, which is a reason for suggesting the use of 10-year term insurance. As he becomes accustomed to insurance and appreciates its value, it will be impracticable to induce him to convert this term insurance into some permanent form.

Should he live, he will not have spent this money solely for his family's protection, for, when he is 66 years old, he will receive \$20,000 in cash from his convertible policy, which would then buy him a monthly income of \$147.20 for the remainder of his life on the refund annuity plan; or he could use it to buy a joint and survivor annuity for himself and Mrs. Henderson. If he should become totally and permanently disabled before 60, he would have to pay no further premiums; all of his insurance would remain in force (the \$22,000 term only for 10 years) and he would receive an income of \$200 per month. If he should die as the result of an accident, Mrs. Henderson would receive an additional \$20,000, which would produce an additional \$900 income.

Mr. Henderson would probably wish to stipulate that the \$20,000 of life insurance, held under Option 1 for Mrs. Henderson during her lifetime, be distributed to the children upon their attaining certain ages, on some plan that could be suggested to him.

The Sales Talk Applied to Mr Henderson's Case¹

"Mr. Henderson, suppose Mr. John Richards, vice-president of the First National Bank, where you carry your account, should call you on the telephone and ask you to come up to the bank saying: 'We have installed a new department that I want you to know about.' Of course you would go over to see him, would you not? Suppose, then, he made you this proposition—would you accept it? He takes you back into the vaults of the bank and

¹Prepared by Benjamin S. Shapro, Manager, Northern California Agency, San Francisco, Equitable Life Assurance Society of the United States.

shows you five money-bags, each of them filled with gold, one having \$5,000, another \$2,000, another \$15,000, another \$20,000, another \$20,000 marked 'special,' with a tag on each of them on which Mrs. Henderson's name is written. On the \$20,000 bag there is another tag with your name on it and this notation: 'To be delivered at age 66.' After showing you these bags, he says: 'Arthur, we have carried your account for the last 15 years. We appreciate your patronage. You have brought us a large business and have made us many friends. You frequently borrow money from us and we are, and always shall be, glad to accommodate you. You have always met your obligations on the dot. We know your financial situation and that you plan to give your children a college education, and we also know that you will do this unless you should die prematurely or have a physical or financial breakdown.

" 'You remember Tom Clark—don't you—who died about a year and a half ago? He was regarded as one of our best business men; he was making good money and he and his family were living well, but at the time of his death he had a fair-sized mortgage on his home, he owed \$3,000 at the bank, and had borrowed considerably on his securities to get funds for an enterprise that he was promoting. Well, death overtook Tom at the wrong time, as is so often the case. The family had difficulty in getting ready cash to meet his outstanding bills, the money market was tight and securities were very low. The bank and his friends came to his rescue the best that could be expected under the circumstances, but in spite of all our good intentions, the estate had to be settled up at great loss. Mrs. Clark had to give up the home; the enterprise that he was promoting, having lost him as its directing head, fell through, and practically all of his securities were sold far below their real value. Their son Sam had to quit college and go to work, and I understand that the family is having a pretty hard time at best.

" 'Well, we have talked Clark's situation over, here at the bank, and decided that, in view of it and other cases like it, we should do something to prevent such financial disaster. We have decided to open up a new department which will be especially for our patrons of long standing and men in whose integrity and ability we have faith. I have invited you up this morning to tell you about the plan and to say that we have elected you to be one of these preferred depositors to be taken in on this new plan if you wish to be.

" 'These five bags of money tell the story of the plan. First, here is this \$5,000 bag that we have labeled for Mrs. Henderson,

to be used with the \$8,000 of life insurance that you have, to liquidate all your obligations in case you should die within the next 10 years. Should you die within that time, we will deliver this \$5,000 in cash to Mrs. Henderson for that purpose. This \$2,000 bag is an emergency fund that we will hold for her and the children, which we will distribute to her monthly over the first year after your death, should it occur within the next 10 years. This \$15,000 bag is to furnish Mrs. Henderson with an additional income for the first 10 years succeeding your death, because she would have excessive expenses in that time, in connection with the support and education of the children. Should you die within the next 10 years we will put this money out at interest and pay Mrs. Henderson \$145 a month from it for 10 years, that is, \$1,740 a year, or a total of \$17,400, and we think she would need that. Now, these three bags, containing in all \$22,000, are an emergency fund held for these purposes. All you have to do is to pay a very small retainer fee in the form of an interest charge on this money to have it available for Mrs. Henderson. The first two years you would pay $1\frac{6}{10}\%$ interest on it. After the second year the interest charge will be only a little over 1% . You will understand that this is simply "call-money" on which you are paying from 1% to $1\frac{1}{2}\%$ interest to have it available in case your family needs it. Of course, if you should not die within the 10 years, you will have paid almost nothing, relatively speaking, for the privilege of having had this money available in the event your family needed it.

"This \$20,000 bag, with both your name and Mrs. Henderson's name on it, is money that you will actually purchase under the plan of this new department. You will purchase this money on the instalment plan. But the first two years your deposit-instalments will be $5\frac{1}{10}\%$ of the principal. After that your deposit will be about $4\frac{1}{2}\%$. The plan of this department provides that you transfer now, from your current checking account, $5\frac{1}{10}\%$ of this \$20,000 and we will open up an account with you, putting the title to this \$20,000 in your name, and Mrs. Henderson's. Should you be alive next year at this time, we will transfer the same $5\frac{1}{10}\%$ from your checking account to this account and, as I said before, the following year if you are still alive we will make a similar transfer—however, on our present scale, reducing subsequent instalments to about $4\frac{1}{2}\%$. All you have to do is to authorize us to make this transfer from one account to the other. Under the arrangement of this department, your authorization to make this transfer expires with your death, and in the event of your death any year, the purchase of the \$20,

ooo will have been completed and Mrs. Henderson will own the money. Should you not die before you are 66 years old, we will, when you are 66, deliver to you in person this bag of gold containing \$20,000. Should your death occur by accident, besides delivering the \$20,000 we will deliver to Mrs. Henderson the bag containing \$20,000 marked "special." Should your account at any time at the bank not be sufficient to withdraw the money for this transfer, due to the fact that you have become totally and permanently disabled before age 60, we would not require the transfer and, in addition, we would pay you personally 12% per year interest on the \$20,000, paying it with a monthly check of \$200. Your and Mrs. Henderson's title to the two bags of gold would not be impaired by the bank's having relieved you of the annual transfer, and our payment of 12% interest to you personally.

"We have seen so many women lose money through bad investments, Arthur, that this department will agree to handle this money for Mrs. Henderson during her lifetime if you want us to do so, thereby relieving her of any responsibility for its investment, or danger of loss of principal or interest. We are guaranteeing to pay 3% on such funds and are actually paying 4½%, with both the principal and the 3% interest guaranteed by all the assets of the bank. You would probably want to set up an agreement with us by which, at Mrs. Henderson's death, this money should be divided among the children when they reached certain ages. This detail we can fix up to suit you.

"Arthur, this entire arrangement will call for a transfer of \$1,393.38 per year to start with. This will be reduced nearly \$200 after the second year. You are collecting \$800 a year interest from the bonds and stocks that you have deposited with us. I suggest that you give us your order to apply this \$800 each year on these instalment payments. That will leave only about \$600 a year, and if agreeable to you, after we have made the initial transfer of \$1,393.88 from your present checking account to your account in this new department, we will just make a monthly transfer of \$50.

"Arthur, here is the contract which we have drawn up for you, as one of the charter members of this new department. Will you kindly sign the contract and give me the authorization for the annual transfer?"

"Mr. Henderson, if your bank made you this offer you would accept it, would you not?"

APPENDIX D

GROSS MARGIN, TOTAL EXPENSE, NET PROFIT, AND STOCK-TURN FIGURES FOR CERTAIN CLASSES OF RETAIL STORES*

Kind of Stores		1924	1923	1922	1921	1920
Retail Shoe Stores ¹	Gross Margin		29.1%	28.3%	25.9%	27.2%
	Total Expense		27.4	25.4	27.8	26.0
	Net Profit		1.7	2.9†	1.9†	1.2
	Stock-Turn		1.9	1.4	1.9	2.0
Retail Jewelry Stores ²	Gross Margin		38.3	38.6	36.9	39.1
	Total Expense		36.4	40.0	43.5	32.7
	Net Profit		1.9	1.4†	6.6†	6.4
	Stock-Turn		0.9	0.8	0.8	0.9
Retail Grocery Stores ³	Gross Margin	19.8%	19.1	20.3		
	Total Expense	18.0	17.3	19.9		
	Net Profit	1.8	1.8	0.4		
	Stock-Turn	10.0	10.1	9.0		
Retail Automobile Tire and Accessory Stores ⁴	Gross Margin		24.4			
	Total Expense		23.3			
	Net Profit		1.1			
	Stock-Turn		4.5			
Department Stores ⁵	Gross Margin	32.1	28.2	27.8	28.7	
	Total Expense	30.1	26.3	27.1	27.8	
	Net Profit	2.0	1.9	0.7	0.9	
	Stock-Turn	3.5	2.4	2.4	3.0	

¹See *Bulletins* 28, 31, 36, and 43 Bureau of Business Research, Harvard University.

²*Ibid*, 27, 32, 38, and 47.

³*Ibid*, 35, 41, and 52.

⁴*Ibid*, 48.

⁵*Ibid*, 33, 37, 44, and 53.

*These are the "common" figures quoted from the bulletins listed above

†Net Loss.

APPENDIX E

EXPENSE FIGURES FOR CERTAIN CLASSES OF RETAIL STORES*

ITEM	Shoes ¹	Jewelry ²	Grocery ³	Automobile Tires and Accessories ⁴	Department Store ⁵
Total Salaries and Wages	14.7%	17.1%	10.9%	12.5%	16.2%
Advertising.....	2.2	2.8	0.35	1.0	3.2
Boxes and Wrappings...	0.2	1.1	0.6		
Delivery.....	0.25	0.35	1.2	0.8	0.1
Office Supplies and Postage.....	0.4	0.6	0.2	0.7	1.55
Rent.....	3.5	4.5	1.3	2.8	3.0
Heat, Light, and Power	0.6	0.85	0.3	0.4	0.5
Taxes.....	0.5	1.0	0.2	0.2	0.5
Insurance.....	0.5	0.6	0.2	0.5	0.3
Repairs of Store Equipment.....	0.2	0.25	0.1	0.2	0.25
Depreciation of Store Equipment.....	0.4	0.75	0.35	0.4	0.7
Total Interest.....	2.7	4.6	1.1	1.5	1.9
Miscellaneous Expense..	1.0	1.5	0.8	1.6	1.65
Losses from Bad Debts.	0.2	0.4	0.4	0.7	0.25
Total Expense.....	27.4	36.4	18.0	23.3	30.1

¹*Bulletin 43* of the Bureau of Business Research, Harvard University, (1923).

²*Ibid*, 47, (1923).

³*Ibid*, 52, (1924).

⁴*Ibid*, 48, (1923).

⁵*Ibid*, 53, (1924). Some of the original classifications have been changed to fit into those which have been standardized for unit or independent retail stores.

*These are the "common" figures quoted from the bulletins listed above.

APPENDIX F

GROSS MARGIN, TOTAL EXPENSE, NET PROFIT, AND STOCK-TURN FIGURES FOR CERTAIN CLASSES OF WHOLESALE ESTABLISHMENTS*

Kind of Store		1924	1923	1922	1921
Wholesale Groceries ¹ . . .	Gross Margin		11.3%	11.6%	9.6%
	Total Expense		10.6	11.1	11.5
	Net Profit		0.7	0.5	1.9†
	Stock-Turn		5.9	5.7	5.0
Wholesale Automotive Equipment ²	Gross Margin	24.8%	24.9		
	Total Expense	23.5	23.4		
	Net Profit	1.3	1.5		
	Stock-Turn	3.6	3.4		
Southern Wholesale Dry Goods ³	Gross Margin		17.6		
	Total Expense		16.6		
	Net Profit		1.0		
	Stock-Turn		3.4		
Wholesale Drugs ⁴	Gross Margin		17.0		
	Total Expense		15.6		
	Net Profit		1.4		
	Stock-Turn		3.9		

¹See *Bulletins* 30, 34, and 40, Bureau of Business Research, Harvard University.

²*Ibid*, 42 and 51.

³*Ibid*, 35.

⁴*Ibid*, 46.

*These are the "common" figures quoted from the bulletins listed above.

†Net Loss

APPENDIX G

ORGANIZATION CHARTS

IN a research report prepared for the American Management Association by Theo. Sander, Jr. under the direction of the author, sales organizations of 160 firms and corporations were classified according to the number of steps intervening between salesmen and sales headquarters. The following charts, prepared by Mr. Sander, bring out the various relationships between salesmen, branches, and headquarters.

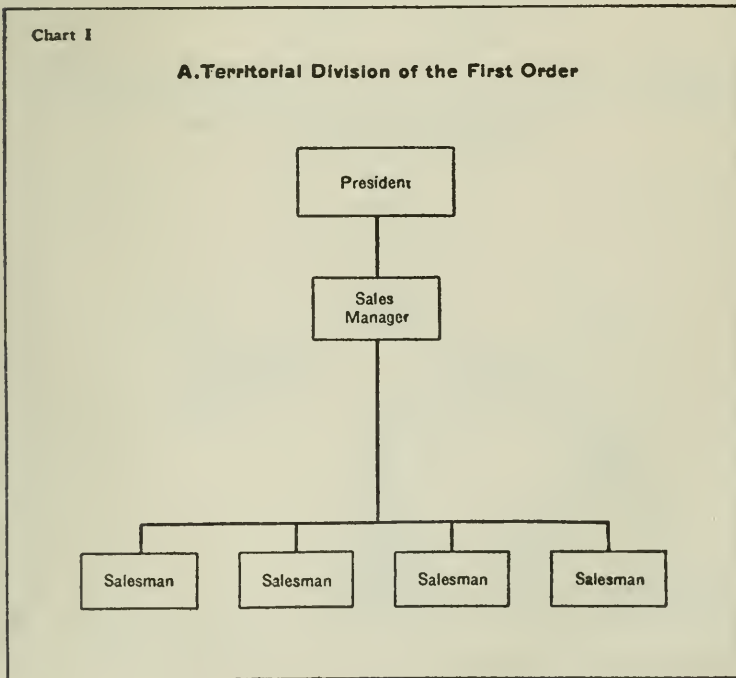


Chart II

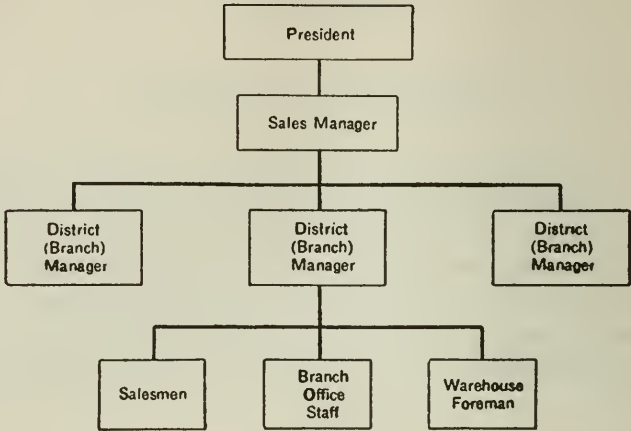
B. Territorial Division of the Second Order

Chart III

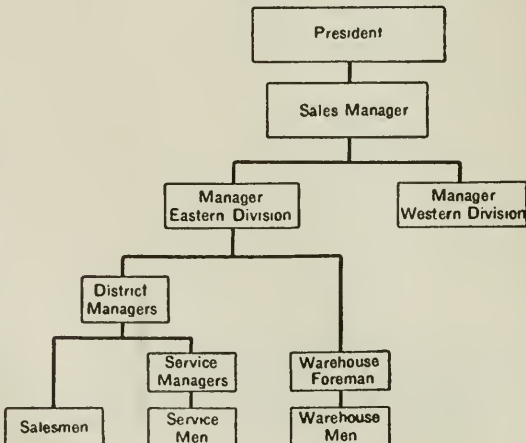
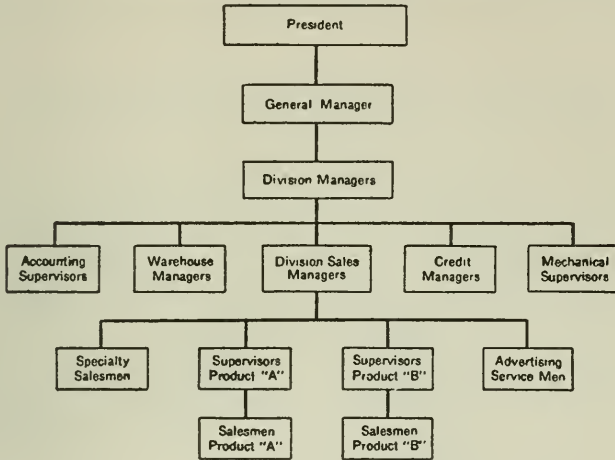
**C. Territorial Division of the Third Order
1. Related Line of Products**

Chart IV

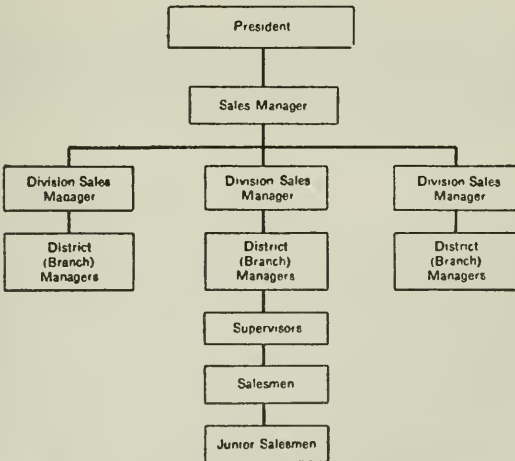
**C. Territorial Division of the Third Order (Continued)
2. Unrelated Products**



••

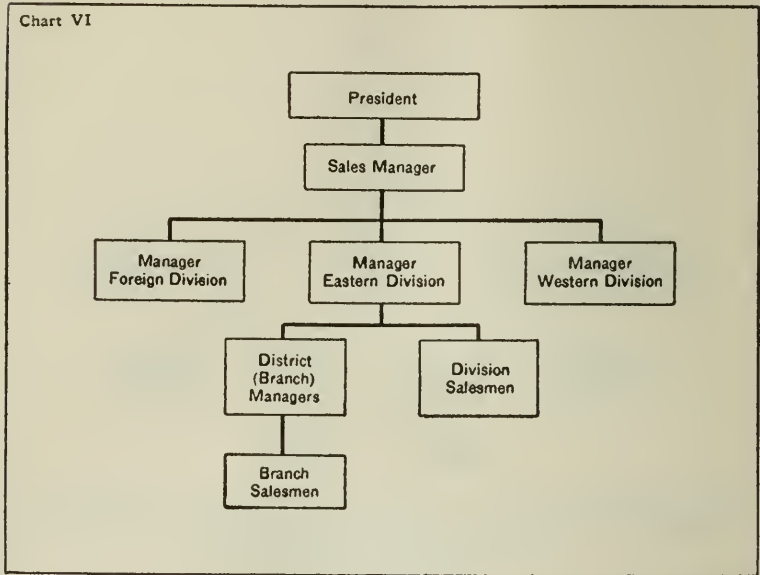
Chart V

D. Territorial Division of the Fifth Order



Territorial division of the fourth order would be similar to that of the fifth with either the supervisors or junior salesmen eliminated.

One concern may use two or more territorial divisions, as shown in Chart VI, below.



Of these 160 firms and corporations, 22% had one order of territorial division; 45% had two, 26% three, 6% four, and 1% five.

APPENDIX H

SALESMAN'S EMPLOYMENT CONTRACT

THE following contract, which the National Cash Register Company agencies require salesmen to sign, is an example of a comprehensive written agreement between employer and employee. Many organizations have nothing more than an oral understanding with their men, while still others have a much shorter and condensed contract. The contract is inserted here to demonstrate concretely the requirements of at least one company employing salesmen, as well as the opportunities which are offered in return.

SALESMAN'S CONTRACT

Mr. 19....
(Salesman)

Having a sales agency contract with the National Cash Register Company, I hereby agree to employ you to sell cash registers and other products furnished by said company in the following territory: (Give complete description).....

This contract is effective..... 19....
on the following conditions, namely:

1. You are strictly to obey all the rules and regulations of this office, be governed by the decisions of said company, and follow such instructions as may be given you from time to time.

2. For the reason that at conventions and conferences of the sales agents, their salesmen, and officers of said company and in other ways, you will obtain confidential information regarding the company's business affairs, its necessities and plans, and the names and requirements of its customers, which it would not be fair nor right to use to its detriment, you agree in part consideration of your employment by me not to engage directly or indirectly for yourself or as the agent or employee of another, in buying, selling, or dealing in cash registers, in the territory

herein granted, for a period of one year after the termination of this contract, without the written consent of said company, and this agreement shall inure to the benefit of the company.

3. During your continuance as salesman for me under this contract you are to have and receive from me a commission on all cash registers sold for said company for use in your territory, whether sold by you or any other person in my employ, or in the employ of said company, except as hereinafter provided.

Your commission to be as follows:

.....% in the list price of the following new registers:
(*List omitted*).

In no case is the commission on a second-hand register to be more than the rate carried by the same register when sold as new.

In all cases where an excessive allowance is made, the commission will be figured on the money difference that would have been paid had the regular allowance been made, and you will be charged with your proportion of the excess.

4. Where an amount less than the first three regular payments is paid on any cash register, and the company is obliged to take the register back, you are to receive no commission, but if you retain possession of the register and resell it at the list price within six months, you are to receive from me your regular commission on the amount first paid, provided no expense has been incurred in making the register salable, and not less than three regular payments have been made on the second sale. If such expense has been incurred, you are to receive commission only on the second sale. On autographic registers you will receive no commission unless one-half of the list price has been paid.

5. The National Cash Register Company reserves the right under my sales agency contract with it to fix the amount to be allowed on special exchanges of new National cash registers for old or for registers of other makes. Where you make a greater allowance for an old National register, or register of another make, than is designated by the latest price list, I reserve the right to refuse such order.

6. When, in the opinion of the company, the general conditions of the business in any part of the United States or Canada necessitate the sale of cash registers by said company through mediums other than company offices or regular sales agencies, you hereby waive any claims to commission on any sales so made in your territory.

7. All orders taken by you are to be subject to the approval

and acceptance by said The National Cash Register Company, as provided in my sales agency contract with said company.

8. You agree not to enter the territory of any other sales agent of said company for the purpose of selling cash registers, or any other products listed herein, or to endeavor, directly or indirectly, to make sales of cash registers, or other products, for use outside of your territory; but should a purchaser call on you voluntarily and purchase a cash register or any other product listed herein for use outside of your territory you are to receive your proportion of my commission on the money received from such a sale. When under like restrictions, as above provided, any other authorized sales agent of the company sells a cash register, or any other product listed herein, to be used in your territory, your account is to be credited with your commission, less your proportion of the commission paid the sales agent making the sale. On sales made by or with the assistance of a company salesman (also on sales made by or with the assistance of any company representative, who enters your territory for the express purpose of closing or assisting in closing business) your account is to be credited with your commission, less your proportion of the commission retained by the company. These commissions are subject to the same liability to be charged back against your account in case of non-payment by the purchaser as in other cases. This arrangement applies not only to business procured at the time of the company salesman's visit, but also to all business subsequently procured by you, the company salesman, or some one else other than the company salesman, from concerns previously worked upon by the company salesman, provided such business is closed within six months from the date of the company salesman's last visit, even though such visit may have been during the occupancy of this territory by your predecessor.

9. All claims for commission on sales of cash registers, whether such sales are made by you or others in your territory, and all claims of whatsoever kind, are hereby waived by you if not made within one year from the date of cancelation of this contract.

10. You agree that you will not under any circumstances give any part of your commission to any assistant, local agent, or other person as an inducement for him to assist you in making a sale, without permission.

11. Should you absent yourself from your territory, without giving written notice to me in advance, you are not to be credited

with the commission on any sales made in your territory during your absence.

12. Upon receipt by me from The National Cash Register Company of notification of the settlement of an account by cash or notes, you are to be credited on my books with the amount of your commission on such settlement.

13. In case the purchaser fails to pay any note, and your commission on the sale has been paid or credited to you, the commission on the amount of the unpaid note is to be charged back against your account.

14. All orders for cash registers shall be taken on printed forms furnished me by said company, which are to be returned to me immediately after the signature by the purchasers, and all conditions and special agreements shall be noted thereon, it being understood and agreed that said company shall in no way be responsible for promises or conditions not specified on the orders. No registers or supplies are to be sold for more or less than the list price established by the company, plus freight or express. If said company is obliged to make any concessions to customers, or any expense is incurred by a violation of these requirements, the amount thereof may be charged by me to your account.

15. You are to collect promptly and turn over to the collection department of this office, at once, all notes or accounts which may be placed in your hands for collection, whether the sale was made by you or not.

16. You agree to make daily remittances to me of all cash received for me or The National Cash Register Company, including money received for supplies sold and repairs made, in the manner prescribed by me, and in no event shall you use any sum of money collected for me or said company to defray your expenses or for any other purpose. In no case and under no circumstances shall you sign my name or said company's name; but, should a purchaser require a receipt for a cash or other payment, you will receipt to him in your own name as salesman.

17. I reserve the right to retain from the commission now due or hereafter to become due you the sum of..... dollars (\$.....), to be held as a deposit and security for good faith on your part, and to protect me against loss by reason of commissions charged back against your account. In case of any termination of your employment, the sum so withheld shall remain in my hands until all registers, upon the sale of which you have been credited commissions, are paid for in full.

18. All attorney's fees and costs arising upon collection of the prices of registers sold by you or recovering possession of same charged to my account by said company shall be divided between us, and you are to have charged to your account by me and pay the same proportion thereof as you receive or would receive of the full commission upon such sale. In case a cash register is shipped to a purchaser on an order procured by you and the purchaser makes no payment on same, you are to pay your proportional part of the express or freight charges on the register, on the basis as above stated. You are to pay your own expenses in attending on trials of cases whether you are responsible for same or not, if I so elect.

19. You are to pay all your expenses, and under no circumstances are you to represent The National Cash Register Company or me as being responsible for same.

20. In case of the termination of this contract for any cause, you hereby authorize me to pay and charge to your account your outstanding indebtedness, incurred in the management of said territory, but I shall not be called on to pay said indebtedness unless I shall elect to do so, and the payment of part of your indebtedness by me shall not raise any obligation on my part to pay the whole of said indebtedness. No assignment of your account or any part of it, at any time to be binding upon me unless such assignment is accepted and acknowledged in writing by me.

21. In case this contract shall be terminated at any time I shall proceed to collect the notes and open accounts and charge back against your account the commission upon such notes and accounts as I shall be unable to collect, together with your proportional part of the expenses of collection. This to continue until a final account can be stated, and no money shall be due you under this contract until such a final account can be stated.

22. It is mutually agreed that all objections to monthly or other statements of account rendered by me are waived by you, unless written notice thereof reaches me within thirty days after rendition.

23. You agree, while operating your territory outside of your headquarters town, to carry with you on the road the full line of regular samples required by the company's decisions.

24. You agree that you will not purchase or deal in second-hand registers on your own account during the continuance of this contract.

25. You agree to furnish said company and me with a fidelity

bond in the sum of One Thousand Dollars (\$1,000.00) to be issued by a responsible surety company and conditioned on the faithful performance of your duties and to indemnify said company and me from loss by reason of any wrongful act or acts on your part in the position created by this contract. All premiums on this bond to be paid by you.

26. In the case this contract shall be terminated at any time, you agree to immediately give or deliver to me or to some one I may designate, possession of the premises you may occupy as an office at that time, and, if I so request, to assign to me or to such person as I may designate, any lease you may have on such premises; and on demand you agree to return the office furniture, personal property, records, and fixtures hereinbefore referred to, to me to be by me credited to your account at my election, regardless of the condition of your account. The price at which such office furniture, personal property, records, and fixtures shall be credited or purchased, shall be the reasonable value thereof, but in no case shall it exceed 90% of the last appraised value. Under no circumstances are you to dispose of the office furniture, fixtures, or other personal property without first securing my consent to said sale.

27. For any breakage or damage done to my property or the property of The National Cash Register Company, while in your charge, you are to be held responsible, and all losses sustained by such breakage or damage shall be paid by you.

28. You agree to keep a list of probable purchasers, and also a list of users of National cash registers in your territory. Both lists to show the name, business, and address of the merchant, and the users' list to show also the style and factory number of each register in use. You agree to keep both of these lists up to date by revising and adding to same from information to be secured by your daily work in your territory. These lists shall be and remain the property of The National Cash Register Company and shall be delivered by you at any time to an authorized representative of said company on demand or at the termination of your contract.

29. You agree to send to me, at the end of each day, a list of all persons who were called on during the day by you in the interests of the business; said list to show each person's name, street address, city, and business, and a brief statement of the object and result of said call; all to be written on the form furnished by me.

30. It is understood and agreed that this contract is a personal

one between us, and that The National Cash Register Company is not to be held responsible for the payment of any commissions or charges falling due under it, and all claims of liability of any kind against said company under this contract are hereby waived.

31. Your continuance in such agency to end at the option of either party by written notice mailed to the last known address of the other.

32. This contract covers all agreements to date between us, and all other contracts or agreements of any kind are hereby annulled and canceled.

33. No alterations of or additions to the provisions of this contract are to be binding upon us unless in writing signed by both of us.

.....
(Sales Agent)

ACCEPTED.....19....

.....
(Salesman)

APPENDIX I

COMPENSATION PLANS

THE methods of compensation outlined in the body of this book may be said to represent the range of compensation plans used in paying salesmen. They do not by any means include every plan, to say nothing of all the major and minor variations of each.

The four following plans, which are in actual use today, are not included because they show a wide variety nor because they are recommended for use in any organization other than the one for which each was planned. They do indicate some complications of method and do show some interesting and ingenious attempts to overcome some of the disadvantages of simpler methods.

1. One organization having a national distribution of a wide variety of pharmaceuticals and druggists' supplies adopted the following method of commission, drawing account, and bonus in 1918.

The complete list of products is divided into eight classifications. These groups are determined upon the basis of the net profit which is to be obtained from their sale. The sales manager determines the average yearly expense which each salesman has to undergo in order properly to solicit the customers of his particular district. This annual individual selling expense is taken as the basic drawing account for the salesman. According to his efficiency, the salesman is to be allotted a stated annual salary.

Then a sliding scale of commissions is estimated for each group. The commissions are determined by the sales resistance encountered and the amount of profit yielded in selling the products of the classification. In addition to this, there are certain specialty products for the selling of which a sliding bonus is awarded. A separate sales quota is set for each territory, based upon past sales but affected by an analysis of the population, magazine

circulation, newspaper circulation, wholesaler's accounts, bank debits, and the local advertising of the company. Before the final quota is set, the sales manager takes into consideration general business conditions, the rate of growth of the population, and the per-capita wealth.

If a particular pharmaceutical product is to yield a given salesman 15 cents on each case which he sells, for example, he receives 25 cents per case upon reaching his quota. His compensation is then graduated to 35, 45, 50, and 55 cents a case for each additional 10% sold above the quota.

At the end of the year, if the commissions and bonuses which the salesman has earned do not equal his drawing account plus his salary, he is debited for the difference in a special surplus account which the company has established for that purpose. Commissions paid on returned goods are deducted from his total commissions. If, next year, the commissions and bonuses of the salesman exceed his drawing account and salary, then his surplus will be retained in order to equalize the debit of the previous year. By this method the special surplus account is practically "self-supporting."

2. A manufacturer and wholesaler of baking supplies, covering the New England and Middle Atlantic states, pays his salesmen a salary plus a bonus and prizes. The salesmen, after having been with the organization five or more years, are also given an opportunity of purchasing stock in the company, provided they have done conspicuously successful work.

Salaries are adjusted each year, while the quota for an individual salesman is established by multiplying his salary and total expenses for the previous year by 25, if he is a city salesman, or 20, if he works in the country. This indicates that the company is willing to pay the equivalent of 4% commission for city and 5% for country selling. The base gross margin is calculated at 15% of the sales quota. The salesman then is expected to get as high a gross margin on his sales as he can by following the policies of the company and directions of superiors. Five per cent of any additional margin is paid to the salesman. For instance, if one salesman turns in orders netting the company a gross margin of 24%, the bonus would amount to 5% of the "saving," or 5% of 9% of the total net sales figure. The bonus is figured and distributed every three months.

Prizes are also given for special effort in pushing particular lines at given times during the year. A prize of 5 cents a pound might be paid, for example, on some product with a large gross

margin, or some seasonal supply, which was on the market only a short time.

3. A large manufacturer of absorbent cotton, bandages, plasters, unbleached gauze, cheese-cloth, and other hospital and druggists' supplies has his main office in Boston with branches in five other large cities. About 50% of the total sales of the company are made to hospitals, 25% to dry-goods stores, and the remaining 25% to miscellaneous stores. Each branch is in charge of a selling manager who has one assistant, with the exception of the Chicago branch, which has two.

These men are paid a salary and bonus, for all sales over a predetermined quota. In order to establish the sales quota for any particular district, the sales for the past three years are studied. Each product is arbitrarily rated as worth so many points, those having the greatest sales resistance being rated the highest. The sales quotas are then changed from dollars to points, after all allowances are made for current conditions.

Each branch manager and his assistant is paid a specific salary, based upon this district quota. If it is surpassed, a bonus is awarded the district. A maximum bonus, equal for all districts, is arbitrarily selected at the outset of each fiscal period. It represents the total sum the company would be willing to pay in salary increases. Since the company felt it desirable to limit the total sales to the planned production for the period, a maximum percentage of excess sales is determined by the limits imposed by the production department facilities. In this way, the total sum available for salary increases is allocated to the potential production in excess of the established quota.

As an example, if the maximum excess on which the bonus could be earned is 25% more than the quota on a particular product, and if the quota is exceeded by 5%, a bonus of one-fifth the total allowed will be awarded to the branches, to be divided in proportion to their excess sales. This is to be divided pro rata among the salesmen.

4. A national manufacturer and distributor of office supplies and equipment handles about 4,000 items which he sells to banks, libraries, insurance companies, commercial firms, and professional men, usually on a contract basis. He employs about 250 salesmen who report to branch managers.

The men are all paid on a salary basis but receive monthly bonuses based upon the point system given at the top of the following page.

The total sales quota for the company was set by the sales

Attainment of 75% of the sales quota.....	75 points
(Plus one point for each additional % of the sales quota attained) Efficiency (rating made by branch managers) Maximum Ratings	
Number of calls.....	4 points
Quality of reports.....	4 points
Satisfactory sales service (small number of complaints from customers).....	3 points
New accounts.....	5 points
Cooperation (in inter-office banking, library, and promotional work).....	6 points
Suggestions (new sales methods and products).....	2 points
Personality.....	1 point

manager, then broken down for each district, after the possibilities of that district were studied. The branch manager then established quotas for each salesman in the same manner. His sales quota then equaled 100 points.

A bonus of 5% of his salary is received by the salesman if he makes 75% of his quota. He earns a bonus of 20% if he attains 95% of his quota. From that point on, the bonus increases more rapidly, reaching 35% if the sales are 10% over the quota.

The quotas are set each year, and are high compared with the actual sales of the previous year. The branch manager is given full power to rate his salesmen. Although no standard instructions are given the branch managers, they have full power to rank their own men.

APPENDIX J

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